Plan to attend the 39th annual N. A.C.M. Convention and 4th Credit Congress. Los Angeles, June 11-15. "California, here we come!"

CREDIT

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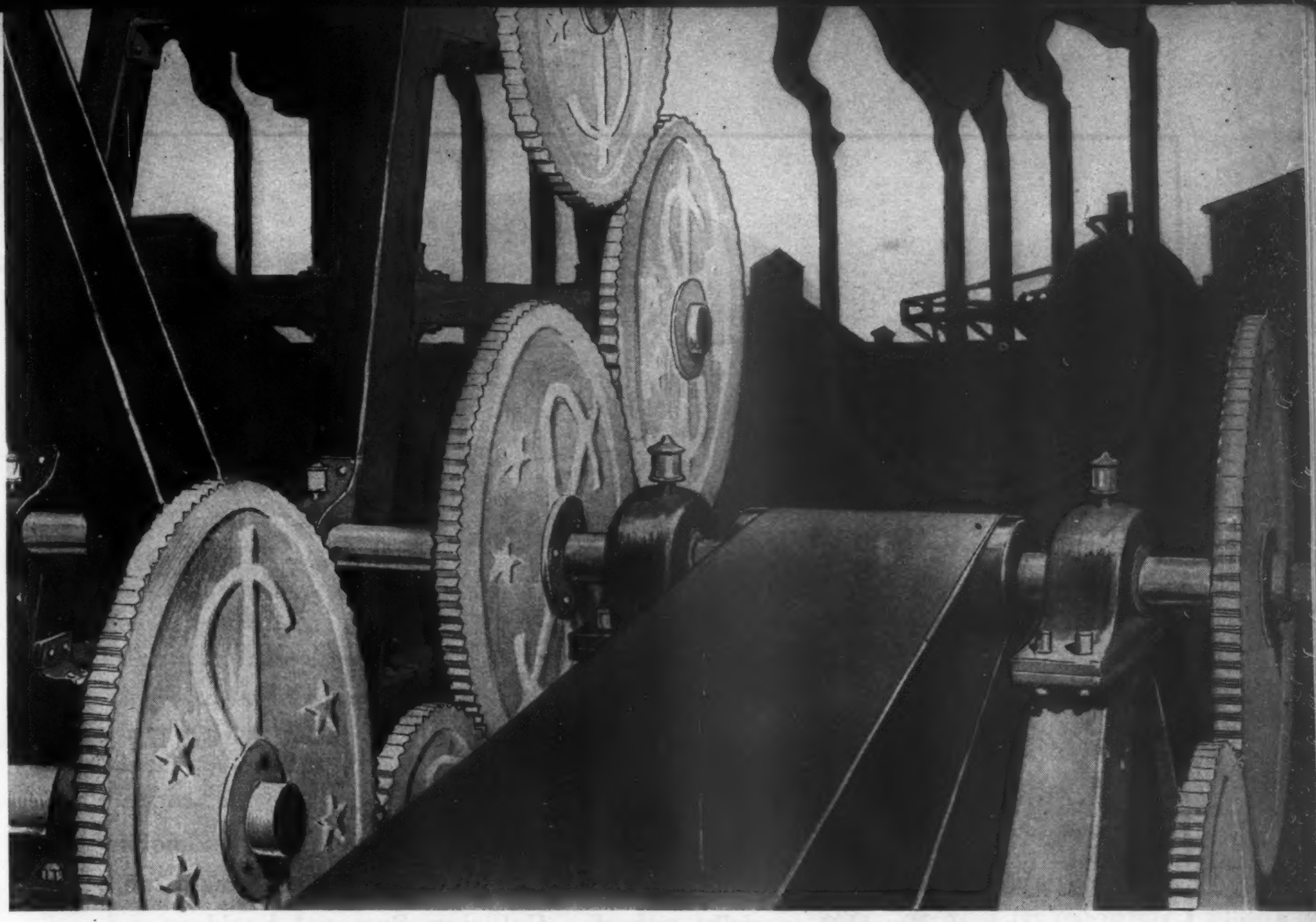

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Volume XXXVI, Number 6.

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ONE OF THE OLDEST AND ONE OF THE LARGEST CASUALTY AND BONDING COMPANIES OF AMERICA

CONTENTS FOR JUNE, 1934

Looking ahead

In July Mr. Tregoe will conclude his series on the N.A.C.M.'s history and traditions. We also expect to present to our readers at that time the series of letters mentioned by Mr. J. T. O'Neill in his article in this month's issue. An article by Henry H. Heimann, the Association's Executive Manager, on "Constructive credit for real recovery" will high-light the issue.

"California, here we come!"

39th Annual N. A. C. M. Convention and 4th Credit Congress of Industry
Los Angeles . . . June 11-15

Our cover

This month our cover carries a colored map of the area surrounding Los Angeles, which is the focal point during these weeks of the nation's credit executives. The map is furnished through the courtesy of The All-Year Club of California.

CREDIT and FINANCIAL MANAGEMENT

Published by
NATIONAL ASSOCIATION OF CREDIT MEN

Volume XXXVI
Number 6

Erie Avenue, F to G Streets, Philadelphia, Pa.
Richard G. Tobin
Editor and Manager
Clifford T. Rogers
Advertising Manager

One Park Avenue, New York, N. Y.
Paul Haase
Associate Editor
Philip J. Gray
Western Advertising Manager

The voice of business

The "New Deal" is of vital importance to business. Fundamentally, it is of great importance that any legislation for business, or new approach to our economic problem, take into consideration the welfare of business.

Civilization moves forward as business prospers, for earnings are the foundation of economic progress. The elimination of the profit motive in business is a suicidal theory; an agonizing dream resulting from improper digestion.

Reasonable return on a business investment needs no apology. Unreasonable return never survives competition. We hold those truths to be self-evident. Consequently, we should face facts and have the courage to strike hard for principles we know are right.

It is a severe indictment against business men that, throughout the "New Deal," they have been unable to speak with a unified voice. Where can one turn to hear what business has to say? It is idle to complain of a lack of consideration for business when business interests cannot agree among themselves as to their own representation. There is no continuity of business policy, no unified program, no co-ordinated planning.

Business has been busy defending itself against dangerous legislation. It has not moved forward as a unit for constructive legislative measures. It is *essential* that business plan proper representation and secure adequate hearing on all legislation affecting business. But it must do more. It must lay down a constructive program. It is the *duty* of business to share equal responsibility in the administration of new Government programs.

The Chamber of Commerce of the United States gives voice to one segment of business. The National Association of Manufacturers speaks for another large group of industry. Some industries express their voice through the National Industrial Conference Board. Granting that these organizations do effective work, none of them speak for the entire business of this country. It is time business developed, through consolidation or merger or other utilization of present agencies, an organization with a permanent and efficient personnel, supported by an adequate research department which would keep closely in touch with the needs and the pulse of business; one which would give continuous voice to the business angle of any and all such matters.

The managing executives of business are not in a very good position to complain of the effect of various new ventures on business when they sit idly by and do not give unified expression to their views or fail to develop an organization that can express their combined views. If managing executives criticise administration of new policies their criticisms must fall on deaf ears unless they stand ready and willing to furnish practical business administrators.

The sacrifice involved in Government service is such that business men are unwilling to make them. But labor and agriculture hold no such narrow view. Labor and agriculture appraise this governmental service as of infinitely greater importance to their cause than any sacrifice or inconvenience to one individual. Business, unwilling to make the sacrifice, is estopped from condemning.

The managing executives of business might well pattern a truly representative business organization after some of the efficient, specialized business organizations. Certainly, in all matters relating to wholesale credit, for 39 consecutive years the National Association of Credit Men has vigilantly and uninterruptedly expressed its voice in no uncertain terms. Once each month in 138 cities a state survey is made. Once each year a national survey of credit developments is made. This will take place this year at the 39th Annual Convention of the National Association of Credit Men in Los Angeles from June 11-15.

Eternal vigilance, hard work and continuous application to the credit problems of the country has been responsible for wholesale and industrial credit legislation finding ready acceptance among credit executives. Business executives might well consult their Credit Managers as to "how it's done." Meanwhile let us journey to Los Angeles in force and raise a militant, unified voice as to the significance of credit in today's business enterprise.

Let us make apparent the implications of the Convention's slogan: "Constructive credit for real recovery."

Henry H. Heimann

Executive Manager, National Association of Credit Men

The Association year:

A review and a forecast by ERNEST I. KILCUP President, N. A. C. M.

The approaching end of our Association year prompts us to look back over the year to relate the conduct of affairs in the Association with general business conditions. At the same time, a study of those business conditions naturally leads us to the consideration of economic and artificial forces which have been at work and have brought these conditions into existence.

It was very evident after the developments of March of 1933 that governmental action looking towards the amelioration of our economic difficulties was inevitable, but it was impossible to forsee the method of approach or the nature of enactments which would be adopted to bring about the desired results.

Three things were outstandingly apparent: our financial structure was not functioning to the best interests of government,, business and citizens; vicious practices in distribution and production needed summary treatment, and, finally, labor conditions required correction and direction.

It is interesting to observe that whatever means might be adopted to settle any or all of these problems, those means would indubitably have an impact upon the credit structure not only of business but of the nation as well. What more natural than that our Association and its members should have felt an immediate concern in the developments which would occur.

Superficially, it might seem that monetary and fiscal policies of the government should be more arresting of the attention of banking and moneyed corporation interests than of that of the general creditor body, yet inasmuch as our whole superstructure of credit is based on a monetary system, it is evident that in the conservation and proper administration and development of credit and credit facilities and intimate degree of attention should be devoted to the study of proposed financial programs in order that their effect on the credit structure might be properly anticipated and evaluated.

Our National Association has stood firmly in the position that only the soundest monetary program should be adopted and we still maintain that the restoration of stable values is absolutely necessary before the proper degree of economic equilibrium can be expected. We have, of course, been sensible of the fact that it is not always easy to adjust an internal economy to the demands and complexities of an external economy, and for that reason have been a little more dispassionate in our judgment and pronouncements that might have been the case had we ignored this consideration.

Where the adjustment of labor difficulties has been concerned, the Association has been constrained to take the stand that except where paternalism might be encouraged and allowed to ignore an equality of advantage between labor and the employers of labor, thus resulting in a real and profound disturbance and in an impediment to an economic recovery and reform, it was not within our purview as an Association to expound new doctrines or assert any principles which would draw us away from the more immediate field of our becoming endeavors.

In the field of trade practices, however, we have had an immediate and profound interest because it has been in this field that the sources of credit abuse and credit waste have been found.

As we cast back in our memories we may easily recall that for many years we have been complaining about the insidious evils that have crept into merchandising and marketing and business conduct generally, but like those who complain about the weather, nobody did anything about it.

It is true that the so-called anti-trust laws were prohibitive of much that might have been accomplished which would have been without prejudice to the consumer interest, but so delicate was the line of demarcation between wise and unwise practices and so inflexible was the interpretation of the rights of business under those laws, that it was well night impossible to secure any satisfactory degree of correction, because the bases upon which various interests might get together were so narrow in their scope as to preclude the possibility of erecting any structure of correction which might be very much more than limited to the refinement of only a few classes of abuses.

Yet through all this seeming difficulty, there has always been the possibility of the better coordination of creditor interests and the development of better means to reduce credit wastage through legitimate cooperation between creditors. Our Association has worked strenuously and concertedly to develop these legitimate agencies for the protection of the creditor body, and considerable has been accomplished, although by no means can it yet be said that there is a sufficiently widespread understanding of the methods and means which we have advanced.

Some impetus has been given to the more general adoption of those means and the better codification of rules of credit conduct by the emergency legislation and the codes of control and procedure initiated under that legislation, but too frequently has the attempt been made to merge credit control with other trade practice activities which has often resulted in submerging credit control rather than in maintaining it at a parity of interest with the other activities.

In the field of federal legislation,

there has been much to engage our efforts to the end that credit practices might be protected from legalized abuses.

It is doubtful whether during any previous year of our history the question of bankruptcy legislation has occupied so much front page space in the daily press or had so much attention and consideration in the halls of Congress. Various bills have been introduced which upon close analysis have been found highly inimical not only to the interests of creditors as a class but also, eventually, to the interest of our citizenry, and we have worked hard and strenuously to present intelligent analyses and unprejudiced views to the legislators under whose immediate study these bills have come for approval, modification or rejection, so that final enactments might be justified from every legitimate angle.

We must eradicate evils

Admittedly it has been very difficult indeed in attempting to carry on the work which has been done to be able always to distinguish beyond every vestige of doubt, the exact position which we should assume and the exact principles which we should enunciate, particularly where the more abstruse questions of economic policy have arisen.

I believe, however, that I may warrantably declare that under the leadership of our Executive Manager and the very able staff surrounding him, our membership has maintained an attitude which cannot be challenged as being without foundation in fact or logic nor as being prejudiced by selfishness or academic narrowness of experience and information.

In the course of developing the avenues for better mercantile credit and banking control and the development and promotion of media which we had already established many years ago, we were confronted with a vexing and serious situation. It was evident that our interchange system was the target of an attack which if not properly combated, might lead to a degree of centralization of the service to creditor interests in hands which were purely commercial and as such would overlook to a large degree the conservation of creditor interests upon a truly cooperative and constructive basis, and as a result of this we have witnessed within many of our affiliated units the expansion of our most tangible service to our membership to a degree hitherto thought impractical and as more properly to be discouraged, yet which under the new circumstances obtaining could not long be avoided nor justifiably criticised.

We cling to the conviction that a very real obligation rests upon our Association to serve its membership by fostering and encouraging the free flow of commercial information in the way that was so urgently necessary but impossible in the days before bankruptcy legislation had been refined and a uniform bankruptcy act enacted, for we believe that the greater development of purely commercial agencies of service and the possible abandonment of cooperative effort would undoubtedly lead to a resumption of those cross-currents in the field of credit which would eventually permit of greater abuses and greater wastage than our business interests can reasonably stand.

The N. A. C. M. has been permitted this year to contribute as never before to the conduct of national affairs. When the administration sought the services of Executive Manager Heimann as Director of the United States Shipping Bureau, we were exceedingly reluctant to let him serve for the problems within our own organization, under the pressure of the times, needed his acumen and experience in their solution. On the other hand, it was the majority opinion of the Board of Directors that it was our patriotic duty to be as unselfish as possible.

We must help reconstruct

Accordingly, at the turn of the year, Mr. Heimann started upon his duties as director of the Shipping Bureau and the public prints will already have acquainted you with the excellence of the work that he has done in correcting many of the uphappy situations which existed. As the president of your organization, I want you to know, too, how splendidly the staffs in the various quarters carried on under the circumstances which existed. The fruit of their efforts is ample testimony to the effectiveness of the morale which has been established and the caliber of the personnel itself.

There have been many interesting developments in the service of the National to the affiliated units and through them to the membership and business interests at large. Those developments will be outlined and discussed at the annual convention in Los Angeles, June 11 to 15th, and I have every confidence that they indicate the dawn of a new and greater era in the rendering of service to the business of our nation and the enhancement of the influence of the Association in the protection and better administration of credit and credit facilities.

Since the above was written by Mr. Kilcup, it is interesting to report that the efforts of the National Association of Credit Men have been at least partially successful in bringing about amendments to the corporate reorganization measure as passed by the Senate. These amendments limit the provable claims for rent to one year after the bankrupt vacates the premises under lease. It was the contention of the N.A.C.M. that landlords should not be given preference over merchandise creditors. The term of one year was allowed as a compromise by the Senators.

The Municipal Bankruptcy law also was opposed by the N.A.C.M. in its original form. It was found impossible however to halt (*Continued on page* 58)

Did you ever collect from a lawyer?

Well, here's a firm that deals with 50,000 lawyers. Its credit manager calls lawyers "most charming" although "extremely sensitive." And "losses are microscopic." There's a reason, told herein

by J. T. O'NEILL,
Credit Manager,
West Publishing Co.,
St. Paul, Minn.

In trying to meet the requirements of an article on money, good will and sales from collection letters, I won't guarantee that everything I say will work in *your* business. That would be rather presumptuous. I will simply relate how we try to do it in our business —how we never lose sight of those three objectives—what success we have in that regard—what our methods are—our materials—and our credit and collection philosophy and practice.

To begin with, we deal almost exclusively with lawyers—nearly 50,000 of them—in every part of the country. Some folks think that lawyers are the most difficult of debtors. That is not true. They do know all the tricks of the collection trade—yet we do not have serious difficulties with them, and our losses are microscopic. In fact, lawyers are probably the most charming of customers, and contrary to some opinion, are exceptionally fair, and honest, but, extremely sensitive and, of course, equipped to give battle if they so desire.

Your type of customer is perhaps altogether different. Your terms may be different, but to my way of thinking, debtors are about the same, and are regular human-beings.

I am reminded of the story of the two colored men who met on the street, and one of them said, "Brother Bogus, why does you-all refuse to pay me them two dollahs you done owed me since de Lawd knows when?"

Brother Bogus replied, "I doesn't refuse. I jus' refrains."

Most folks do not refuse to pay their bills, but many of them refrain from doing so, which can be just as bad. Yet the slow-payer thinks he is a regular fellow and often responds more readily when he is treated in a human, friendly manner.

Accordingly, a credit and collection department can not exist without established principles. In fact, it *must* have a creed if it expects to succeed.

I will try to give you ours.

We know our company is operated for profit. We know a customer costs us $40.00 on an average to place him on the books. We know a business is built up of customers and that one lost can not be replaced. If you get another, it simply means that you should have had the additional one in the first place.

We know that a Credit-Collection Department that can get money, good will, and sales from credit and collection correspondence is a highly important department in any business. We like sales managers. Yet we believe, and modestly, that it takes one kind of salesmanship to sell goods that "listen good," that do not have to be paid for right away, but that often it takes a higher degree of salesmanship to sell the man the idea that he should dig down into his jeans and pay out cold, hard cash for something that consciously or otherwise he no longer has such a current lively interest in.

We believe at our place that when we "O. K." an order that we should have the ability—that we should have the tools in our collection kit, if you please —to make that order produce the money that our company has a right to expect from it.

We believe, back in our Credit and Collection Department, that folks are paying out some money at all times, even though they owe other debts. The thought foremost in our minds at all times is to realize that fact, and to ask ourselves, "What can we do to get some of that money—to get co-operation from that particular type of debtor, while other creditors may be importunate, imperious, arbitrary, and left holding the bag!" We scheme along that line all the time, and while we are glad to co-operate, we are paid to get our money— and we do!

We turn down very little business. We do spend our money to investigate. Yet, here is the thought that is always uppermost in our minds. We have an order before us. We have the goods to fill it. The man wants them. Can't we find a way to get them to him, and collect the money due us? Anybody can turn down business. There is nearly always a way that orders can be filled. The question is, how good is the Credit and Collection Department with that type of proffered business?

Along the line of our creed, we believe our goods are the finest in the world. We believe we give value received—plus. We will drop any collection man who whines that he can't collect an account because the order shouldn't have been taken in the first place. We do not want an alibi artist about credits, about salesmen, or about conditions, or the merchandise sold. We fell that we have a lot to learn, but we think that a credit and collection man, like you and the rest of us, is a combination of an expert salesman, an ingenious advertising man, a diplomatic ambassador, a banker, a lawyer—and while he isn't always paid accordingly, he is expected to be, is, and should strive to be—almost a miracle worker. Which he usually is!

So much for the high spots on our credit and collection creed. Is this just a prayer—a pose—or do we do something about it in our business?

Now, before I get through, I am going to attempt to answer in the final analysis just how we get plenty of money, plenty of good will, and plenty of sales from credit and collection letters.

As far as sales are concerned, there is no reason under the sun why a credit man can not have a paragraph in every

". . . and a very happy New Year. Yours very truly . . . P. S. Our invoice of last July is enclosed."

Cartoon by courtesy of Isaac Goldman Co., New York.

one of his letters about some merchandise item that you are pushing at the time. He ought to do it. After a sales department sells a man, their contact practically ceases. Credit and collection departments have a contact almost continuously, and every letter from a Credit and Collection Department can and should have some casual mention or otherwise of a sales opportunity for that customer.

We had a young man in our business last year who single-handedly sold over $30,000.00 worth of law books in connection with letters going out in his collection work. Don't say that you don't know anything about your sales department or their prices. We have over 150 different types of technical publications and we wouldn't have a man in our credit or collection department unless he is fully acquainted with them. The modern name for our departments, gentlemen, should be the Collection-Sales Department.

And that brings me to the heart of this article: how to get good will and money. We claim to do it by human, friendly letters, which sometimes are considered unique, and which are picturized, animated, etc., all coupled with "Courteous Persistency."

We don't believe it is necessary to wait 30 days, or any set number of days between reminders. We sometimes send them at 10 or 15 day intervals. As these are courteous, friendly, sometimes quite interesting reminders, no offense is given, but the pressure is felt. We often get our money while some one else is waiting 30 days to send out another reminder. There is a collection secret to "courteous persistency." You can discover it by speeding up your follow-up intervals.

Now, as to the letter. I believe that every business letter, no matter from what department it emanates, is a sales letter. In every letter you write, you are selling yourself, your company, its policies, its viewpoints, its merchandise, whether you are answering a letter of inquiry, an adjustment that satisfies or trying to sell a man the idea that he should pay what he owes.

Now, there is only one excuse for a letter of any kind. It is designed to take the place of a personal conversation. There is no other excuse for it.

But a letter as a substitute for a personal interview is under a severe handicap. It can not contain the tone of voice, the gesture, the smile. Words are packed with dynamite when written in a letter. If they were spoken, they would more aften have the interpretation and the courteous, pleasant, friendly ring that was intended. There are millions of dollars awaiting the inventor who can concoct something that, when you open a letter, make the very words and tone of voice of the correspondent ring in the ears of the recipient.

When a real salesman calls on his prospect he doesn't say, "In reply to your recent favor, I beg to state that we have some good goods; that we would like to enjoy further valued patronage from you." Letters, after all, should show your type of personality, and personality in letters is nothing more than an expression of the manner in which you treat others. You must admit that it is not your personality to walk in on a man and start throwing a lot of hackneyed phrases and stilted words at him.

The successful salesman, whether he is selling goods or selling the idea that a man should pay up his accounts, makes a friendly contact first. He disarms his prospect. So, we keep asking ourselves, can not our credit and collection letters always go forward in salesmanic form—properly and neatly dressed with some little air of distinction, with the mark of the human element in it, with some little charm of personality—some little happy, felicitous phrasing, and even on occasion, something personal, or perhaps

reciting some little anecdote or general-interest comment. That is nothing more than what the ordinary good salesman does, and it brings us right back to the realization of the fact that every letter, no matter what it purports to do, is a sales letter, and should be built along salesmanic lines.

The trouble with most letters today is that they lack lubrication. They irritate. They produce fiction. They build a wall of antagonism when they should cement friendship.

Another fault is this: few correspondents try to visualize the man they are writing to. All you have to do is ask yourself when you pick up a letter from your small town friend, can you see him? Can you realize and do you realize that a living, human being is behind that communication, and that the only reason it was written is that a personal interview was not possible? He is really talking to you with his method of personality, and with his appreciation of the situation. You have got to answer him as though he is sitting at your desk. He has probably taken half an hour to write that letter to you. Can you, do you, and will you write to him as though he is a human being? Was there a point of contact in that letter, or previous letters, that you can touch on now, so you can now talk a little from his viewpoint and not your own all the time?

After all, what can you do to make your letters more human, to be more lively, to be more persuasive, to be more productive, and to make it possible for you and your department to collect more money, more good will, and sales from them?

The answer is six words that a man could talk on for an hour, and that some day somebody will be smart enough to write a book on, "The Conversational Style of Writing Letters." If you want to read a master on that style of writing, buy every book that has ever been written, and every advertisement that has been composed by the late Elbert Hubbard. Another book is the unabridged "Autobiography of Benjamin Franklin." Homely—interesting—graphic—lively—persuasive writers, and then further your own education along that line.

It was Schopenhauer who said, "A new thought is like the woman we think we love. We fancy we will never forget her. But, out of sight, out of mind. The finest thought runs the risk of being irrevocably forgotten if you do not jot it down."

Our correspondents, I think, are the greatest collectors of pithy, cogent, virile, persuasive phrases. For myself, I have over five large memorandum books filled with phrases that I have caught, a lot of them from newspaper reading at times, and certainly a lot from magazines and books, and which I weave into my daily correspondence.

They give food for thought. They get you away from the hackneyed arguments. They give you freedom in discussing briefly, but interestingly and pointedly, the great variety of problems that have to be untangled by credit and collection departments. The best letter writer in your business should be in your credit and collection department. When the members of that department write a letter, they should be able to seal themselves inside, so that when the letter is opened the correspondent himself steps out and speaks in a friendly, human, persuasive, convincing manner—just like in a personal conversation.

We hope
to be able to present to our readers in July, some of the letters used by Mr. O'Neill's firm in its collection work. After you have read this excellent article, we know you'll be anxious to see his theory, herein outlined, as it is worked.

In an effort to make our letters speak, we often use beautiful colored pictures in the letter-heads, which are readily and inexpensively obtainable. Also, drawings and cartoons. We are getting to believe with the Chinese that, even in a collection letter, "A picture is worth 10,000 words"!

There are numberless ways to write a collection letter. We are always looking for an excuse to write and to practice some new collection psychology. We use and have used these animated, picturized letters in an appropriate letter for Spring, Summer, Fall, Christmas, Thanksgiving, Roosevelt's inauguration, hunting, football, fishing, auditing time, and hundreds of other occasions. Usually, these flirt a little with the border line of humor, but have the theme song of collections running through them. There is a little jollying in them at times, and usually we are jollied back. Folks reach for their check books easier when they are in good humor!

We never write a letter to a customer without giving him a remittance form. We always notice the sales department enclosing an order form. Our object is to make it easy for them to remit, and I could almost devote the entire space allotted to me in telling you what we have been able to do by offering a little remembrance.

Here is something that a sales department does right along. You find salesmen doing it. Whenever a customer goes through our plant, the sales department usually gives him a memorandum book with his name and address stamped in gold.. We finally got tired of the sales department collecting all the good will, so we got hold of some of these memo books, and we frankly told customers that we stole a few—that a collection man was just as interested in good will as a sales department.

We have had a lot of fun with these remembrances. They have brought us thousands and thousands of dollars. However, we hardly ever make the offer of the rembrance in the letter. We endeavor to do it adroitly and rather indirectly without making it a precedent to remittance. We simply offer it in the remittance form, and you can rely on us, however, to describe the gift plenty—setting forth all its good features. We have given away thousands of memo books, thousands of diary books during the holiday season when collections were usually slow. Ladies' purses—compacts—pencils, key cases, bill folds, Roosevelt's picture, George Washington's picture, and many other novelties, including a widely distributed pamphlet, "How to Collect from Clients"!

It is only in our occasional seasonal or general letters that we make this offer. The remembrances, while they have real utility, are not expensive and the appreciation of the customer is sometimes great. We recently sent a Spring letter and in the remittance form we offered a ladies' change purse for the customer to give to his typist or his wife. You ought to see the replies come in. Nearly every lawyer wanted to get one for his stenographer!

At this point I wish I had the time to tell you about the worth-whileness for a credit and collection man to jump in his car and go out and personally adjust an account himself. We keep doing that. I know some of you do. It should make you a more human letter-writer, and a better collection man. You should be able to generate some new ideas as a result.

I will end by simply suggesting that the best letters are written at this time of the year—Spring. In fact, now is the time to practice the writing of friendly letters, the conversational style, courteous persistency—and (*Cont. on page* 58)

Chiseling the discount

The cash discount has a justifiable place in the sales set-up but tardiness in payment should forfeit the discount since it is "an added premium offered to the buyer by the seller for payment within a specified time."

by R. M. RYAN, Credit Manager, R. C. A. Radiotron Co., Harrison, N. J.

President, New Jersey Association of Credit Men.

The subject of cash discount has been discussed from all angles for many years but my own personal conviction is that there has not been, and actually should not be, any change of attitude with respect to the intention of this item.

Cash discount is an added premium offered to the buyer by the seller for payment within a specified time. If the buyer deducts this item, notwithstanding tardiness, he is violating a definite arrangement entered into with the seller and should the latter accept such a payment without justification, he becomes a party to a practice which has much to do with the destruction of our general credit principles.

Most buyers have the mistaken idea that this item is "just another trade discount" and they fail to realize the seller has definitely in mind that it is worth a certain percentage to have the use of the monies so many days in advance of the net terms.

There has been considerable discussion of late regarding the possibility of eliminating cash discount entirely. Some organizations are of the opinion that this item can be eliminated with nothing more than a notice to their trade. In my opinion this would hardly be possible unless the trade was compensated by an adjustment in the price of the merchandise and I cannot conceive of an arrangement such as this if the buyer will be given the opportunity of submitting payments in accordance with net terms.

In the case of those organizations now selling under cash discount terms of the tenth proximo or longer it is reasonable to expect that payments would reach them just as promptly even though the cash discount was eliminated.

However, from the standpoint of vendors selling under cash discount terms of 2% ten days or 2% tenth and twenty-fifth it is quite obvious that should the 2% be eliminated entirely,

---

Date ....
Address ....

John Jones & Co.,
New York City, N. Y.

Gentlemen:

You can save $1.20 by taking advantage of the cash discount on our invoice dated April 15th. You will appreciate this reminder that the ten-day period expires April 25th.

This is not a request for payment—just a desire on our part to cooperate with you fully.

Yours very truly,
JOHN SMITH & COMPANY

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payments would not reach them in less than thirty days and I very strongly oppose any attempt to discontinue the prompt payment premium because it is a forgone conculsion that considerable more collection effort will be required to get the monies in within any reasonable period.

From the standpoint of the buyer let me say that this item cannot be ignored because it plays a very important part in the results of his business activities, very often representing the difference between profit and loss over a fiscal year period. It is generally conceded however, that most business organizations realize this and that accounts for the unfair practice of the many, who seem to be insistent that they are entitled to such discount regardless of when payment is submitted.

Let us consider therefore, just what this cash discount means to the buyer by studying the following table of annual equivalents for various discount rates, and then dwell upon the advisability of using fair rather than unfair means to take advantage of this very important premium:

1% 10 days net 30 days=18% per annum
2% 10 days net 30 days=36% per annum
3% 10 days net 30 days=54% per annum
4% 10 days net 4 mos.=13% per annum
4% 10 days net 60 days=29% per annum
5% 10 days net 4 mos.=16% per annum
5% 10 days net 60 days=36% per annum
5% 10 days net 30 days=90% per annum

You will notice for example, that terms allowing 2% for payment within ten days actually represent an annual rate of 36%. It should be quite obvious therefore that any concern, temporarily short of cash, due to slow collections, should turn to their *(Cont. on page 56)*

Name.. District..............................

Address..

Date Mailed	Amount of Remittance	Number of bills	Discount	Days Late	Remarks

Salesmen help on credits

R. F. CLARKE, General Sales Manager of the American Gas Machine Co., of Albert Lea, Minn. makes this important declaration—"a salesman cannot do a good job of collecting for the goods he sells? Rot!" Here's Mr. Clarke's argument on this point:

The commonly expressed idea that a good salesman cannot also be a good credit man or collector is the bunk. It is used as an alibi by salesmen who regard credits and collections as unpleasant chores and want to throw all the responsibility in these matters on the credit department in the home office.

"Traveling salesmen" is in the case of most business organizations a misnomer. The traveling men are usually *representatives,* not merely salesmen. They are the only means by which *any* of the departments of most business concerns can *personally* contact their customers. They represent, or should, not only the sales department and credit department, but also the engineering, production, traffic, advertising, and in fact *all* departments. They should even represent the *personalities* of important executives and "sell" them to their customers.

They say a salesman cannot do a good job of collecting for the goods he sells. Rot! I know that the man who sells me anything can do a better job of getting the money from me than could someone with whom I am unacquainted and who is carrying the obvious and rather irritating label of "Credit Department." He can tell me that the boss told him he was in the red at the bank, and asked him if he couldn't manage somehow to raise about $500. He can make it appear that I am rendering him a big personal favor by making a payment on my past due account. He can actually ask me for money in such a way that I feel good about it when I hand him a check. To cut this short, the salesman or "contact man" can do *any* job better that calls for personal contact between the house and its customers.

Every salesman should realize that when he collects an overdue account, he is preparing the way for new sales. A customer who owes a past due account will not buy. He knows that if he gives an order the inevitable result will be a refusal by the credit department to ship the goods. He also realizes that if he places an order, the attention of the credit department is focused immediately upon his delinquent account, whereas if he does not order, the situation will probably be ignored for a time. But if the salesman by diplomatic tactics secures payment, then this dealer will buy readily because he can do so without having to anticipate any unpleasantness. Past due accounts are a barrier to sales—sales follow collections. Therefore, every salesman should remember that he cannot do a good job of selling unless he also is a good collector.

Selling merchandise and credit are synonymous

By A. C. YOUNG, Secretary, Majestic Mfg. Co., St. Louis, Missouri

The old adage "that a sale is not complete until the goods are paid for," rings as true today as it did when the first sale was made, to be paid at some future date.

The sale is not complete until the merchandise is shipped and in order to attain that end, we must sell the purchaser on the importance of furnishing sufficient information about the financial structure of the business, so the credit grantor can give or sell to the purchaser the line of credit justly due him.

After the salesman sells the merchandise to the Jobber, Distributor or Retailer, he thinks his part of the transaction is complete, but it is not complete until the goods are shipped and paid for. Therefore, the next important and necessary step is to sell the dealer on the value and importance of furnishing a financial statement, showing figures at the close of his fiscal year.

The commodities and sources of supply on which the merchants are dependent: namely, agriculture, manufacturing, mining, etc., should be noted on the salesman's report. If the dealer is thoroughly sold he will give this information to the salesman and the firm should furnish suitable forms on which the salesman could record this information with as little delay as possible.

The Credit Man stands at the cross roads or junction point of this economic process. He approves the medium of exchange which is created and accepted by his firm as the equivalent of the present goods or services which are surrendered. He does this by passing the credit which is given by the purchaser.

The Credit Manager then completes his credit files ascertaining the debtors paying record by applying for an Interchange report through the Credit Interchange Bureau of the National Association of Credit Men.

If the salesman does not get this information and the dealer is not thoroughly sold there is danger of the order being cancelled by the dealer's refusal to send this information through the mails.

Without this information the Credit Manager will take longer chances in extending credit. If the debtor defaults on his payments and the account is uncollectible, the firm not only loses the profit but the cost of material and production and the salesman loses his commission on the sale.

The Credit Man thus has the two-fold responsibility of approving every credit offered him by buyers; first in the test of volume of profitable sales and maintenance of competitive position, in order to keep the return flow of payments at such a rate as will maintain the working

"Sure" say these executives

capital of the organization and replace depleted fixed capital.

The Credit Man is thus seen to be vitally interested in the prospects of inflation, which appears very evident, should he continue to extend credit today with the depreciation of the money.

Under conditions of monetary instability and the rapid fluctuating and rising prices which will continue to be experienced when experiments with inflation are attempted, there are a number of devices which the credit grantor can adopt in the attempt to introduce an element of certainty into future transactions.

The economic organization is one of delicate balance, while wonderful progress has been made. The maintenance of this balance and adjustment is a matter of the prices of specific goods and services.

In a Summer issue of Credit and Financial Management, this subject will be discussed further in the light of opinions expressed in a recent report.

While these considerations have not been fully developed, the credit man of today, looking toward the possibility of the continued rise in prices, the granting of credit is more accute and needs the full co-operation of all departments of the business, but especially the co-operation of the salesman by supplying data on the financial standing, responsibility and business ability, by furnishing the credibility and financial responsibility of the debtor.

Last but not least, it gives the salesman an opportunity to visit with the dealer, in asking questions about the welfare of his business, while he is filling out financial statement and getting the names and addresses of some other firms he buys from.

It cements his friendship with the dealer and makes him feel that salesman is not only interested in getting the order only, but in the welfare and future success of his business.

Selling merchandise and selling credits are synonymous in every mercantile transaction.

"The Credit Manager must sell the sales personnel"

By W. J. DIEHL, President, Manila Ass'n of Credit Men and General Representative, Associated Oil Co.

The principles of credit remain the same the world over, the only difference being in their application according to the type of credits, whether banking credits, investment credits, mercantile or retail credits, and according to the place or country where such credits are being administered. Naturally, business conditions prevailing in the United States differ in some respects from business conditions on other continents, nevertheless the principles of credit may be effectively applied as a foundation upon which to build a sound credit structure, no matter whether credits are being administered in Kalamazoo or in Zamboanga.

Generally speaking, a credit policy should be in complete harmony with the sales policy of a concern, and although, at times, the Credit Manager may be considered "the Fly in the Ointment," every effort should be made on his part to convince the sales personnel of the justification of his attitude, for in the final analysis it is he who will have to assume the responsibility for his judgment.

Needless to say, a credit man should possess the ability of selling his concern's policy not only to the customers he comes in direct contact with, but he should make every effort to educate the sales personnel along the lines of CREDIT THINKING as he greatly depends on them to sell his credit terms to the buying public.

Let us pause here for just a moment in order to analyze the requirements of an honest to goodness and *efficient salesman,* which qualification distinguishes him from a mere order-taker:

FIRST—He must have the ability of proper approach towards a prospective customer in order to gain his confidence, which is so essential in his future dealings with him: *HE MUST FIRST SELL HIMSELF.*

SECOND—He must be able to talk convincingly about his firm to give his prospect full assurance that he will receive all the attention and consideration he is entitled to: *HE MUST SELL HIS FIRM.*

THIRD—He must have implicit knowledge of his merchandise in order to be able to explain fully any apparent differences in quality or price as compared with those of his competitors: *HE MUST HAVE COMPLETE KNOWLEDGE OF HIS GOODS.*

FOURTH—He must refrain from speaking disparagingly about anyone of his competitors, or their quality of goods, for this is not only considered highly unethical, but is apt to completely destroy the customer's confidence in him: *HE MUST BE TACTFUL.*

AND LAST, BUT NOT LEAST, he must be able to *effectively sell his company's credit terms* in order to avoid any subsequent misunderstandings regarding payment for the merchandise sold. As a rule, a delinquent debtor has very little or no excuse regarding the collection efforts assumed by his creditor, *provided* that he has been *definitely* given to understand at the time of the sale of the merchandise, the the firm expects the return of its equivalent at a definitely established period. *Credit terms must be properly sold.*

The salesman should be made to realize that no sale can be considered complete unless its counter value has been received therefor; he should further be made to understand fully, that when sales terms are thirty days, the margin of profit has been based on these terms. If, however, payment is not made after the expiration of the official 30-day term, it would become necessary to obtain a proportionately larger profit in selling a commodity as when the money was forthcoming on a 30-day term basis. This matter is not only quite frequently overlooked by the salesman, but may be a source of considerable loss to the house, particularly where the margin of profit is a small one, (*Continued on p. 50*)

Credit Council differs

Current questionnaire indicates 55 per cent think direct cash from Uncle Sam would be harmful to future of American industry.

Once again the Economic Credit Council of the National Association of Credit Men has conducted a survey concerning present economic and credit conditions. The results have been extremely interesting and are presented here to the readers of Credit and Financial Management.

The Economic Credit Council, it will be recalled, was organized about two years ago to serve as a research and advisory body for the National Association of Credit Men. Since that time it has conducted several surveys which have been received with interest by the membership of the Association. This survey promises to be no exception to the general rule.

On the following page are presented in boxed form the tabulations of the results to various questions. Many of the representatives of local Associations on the Council used the survey as an occasion to send us more inclusive replies concerning opinions in connection with the question. The replies on credit practices in general will be presented in the July issue of the magazine. But because of the imminence of legislation by Congress in relation to government loans to industry, the editors of the magazine believe it is timely to present the comments of the Council's members in relation to this question.

Of the replies received in answer to the question about the advisability of government loans to industry, 55 per cent expressed opinions opposed to such a plan while 45 per cent favored such a means of getting industry started going again. Of those opposing the plan, almost the unanimous opinion indicated that it would be impossible to place proper safeguards about such direct loans except when handled through the regular banking channels.

Here are some of the comments:

1. "There seems to be a conflict with relationship to banks in Washington. The executive side of the administration wants the banks to make loans to business in order that business may get started. The examiners have made the examinations so tough that many of these loans cannot be made. It is going to be necessary, as far as the present setup is concerned when business is ready to go, that some other loaning medium be given that business may have longer time loans and perhaps somewhat different security than the banking department is now willing to make."

2. "Do not believe direct loans by government really needed by industry. Deserving industrial units are able to obtain loans from their bankers and the very fact that a unit seeks aid from the government is itself some degree of evidence of its own inefficiency and in the long run, governmental aid seeks to maintain an inefficient who cannot survive in the ordinary course of competition."

3. "Believe that in cases where a credit limit has been reached with the bank, and there are plenty of assets to justify a loan, especially on long time loans, that this made by the government would be an advantage. Otherwise, believe that the local banks could handle the situation to advantage."

4. "The banks in this community have an ample supply of loanable funds, but it is difficult for the average small business to obtain a loan without security. Due to business conditions in the last few years the capital structure of small business are not very favorable and in so far as I can learn the banks are demanding securities which the average small business cannot furnish. The average small business needs loans which will extend over a longer period of time than the commercial banks can justify."

5. "No loans should be made to industry except to assist local employment problems as in the case of an industry which solely supports a community. The government should not seek preferences over other creditors, for it would be unfair to the other creditors should they require a chattel mortgage to secure their loans; and then too, it would hurt the debtor, for a general credit would be injured."

6. "If government aid could be made properly selective, there are probably some cases where it would help. As to those cases where present difficulties are due to mismanagement I see no call for government interference. Keeping such organizations in business means trouble for industry and loss to the government. I do not believe government loans could be made on a satisfactory basis."

7. "With reference to direct loans, I believe that this is purely a bank function and should be performed by them. The only justification for loans, as we see it, is due to the amount of capital tied up in closed banks. We favor some method of releasing this money through governmental action rather than by direct loans."

8. "The reason I believe that direct loans by a government agency to industry would be harmful is the fact that politics always creep in any agency and the long terms and low interest rates offered would be advantageous to the firm receiving this benefit rather than helping an industry."

9. "My answer to the question of government loans to industry would be yes only in order to further the recovery program. Such loans should be made only in a sound banking basis, with especial attention given to the needs of smaller business concerns."

10. "Direct loans to industry by government agency is a device which can be used very effectively in those situations where legitimate business with a sound basis for credit is unable to borrow through private channels. There is grave danger in the application of this principle to any great extent, however, because of the fact that such loans are apt not to be sound credit extensions, but a device to advance capital where other investors fear to go."

11. "We believe it will be necessary for a government agency to make direct loans to Industry, particularly to the heavy industries before it can be said that the NRA is a completely successful program."

12. "I am of the opinion that there are several small industries throughout the country that are laboring under a handicap of deficits which have accrued over the past two or three years, and are in need of some assistance which the banks are not in a position, or at least not willing to extend, and for this rea-

on loans to industries

Here are the percentage tabulations shown in the latest expression by this important group of leaders in the National Association of Credit Men

Question I

Do you believe direct loans by government agency to industry would be beneficial or harmful?

Harmful: 55 per cent—Beneficial: 45 per cent

Question II

Has bank credit been eased in your locality as regards commercial loans within the past year?

Yes: 67 per cent—No: 33 per cent

Question III

Have the NRA codes affected your industry adversely or favorably:

(*a*) *As to respect for terms of sale by buyers?* **Favorably: 76 per cent—No: 24 per cent**

(*b*) *As to respect for terms by sellers?* **Favorably: 78 per cent—No: 22 per cent**

(*c*) *As to collecting interest on old accounts?* **Favorable: 59 per cent—No: 41 per cent**

(*d*) *As to returned goods problem?* **Favorable: 57 per cent—No: 43 per cent**

(*e*) *As to raising quality of goods sold?* **Favorable: 65 per cent—No: 35 per cent**

Question IV

Regarding collectibility of accounts, has the situation in the past year shown changes as to

(*a*) *Number taking cash discounts?* **More: 90 per cent—Less: 10 per cent**

(*b*) *Increase in percentage of outstanding receivables?* **Increase: 67 per cent—Decrease: 33 per cent**

(*c*) *If increase, is "b" due to* (1) *more sales* (2) *or slower collections?* **More sales: 93 per cent—Slower collections: 7 per cent**

Question V

Do you favor collection of accounts by salesmen? **Yes: 53 per cent—No: 47 per cent**

Question VI

Does your firm follow this policy? **Yes: 53 per cent—No: 47 per cent**

Question VII

Do you favor collection of credit information by salesmen? **Yes: 65 per cent—no: 35 per cent**

Question VIII

If your firm follows this policy, do you find real value in such information? **Yes: 67 per cent—No: 33 per cent**

Question IX

According to comparative financial statements, do you find inventories this year as compared with last year are larger or smaller? **Larger: 67 per cent—Smaller: 33 per cent**

son I believe that these government agencies can be of material assistance to such industries."

13. "I am very much opposed to the lending of funds by the government to private industry. This is a banking and credit function of a type in which the government has no place whatever, and it seems to me that with the disclosing of a mal-administration of various bureaucratic agencies in the past and reasonably to be assumed even at the present, there have been sounded enough notes of warning against the engagement by the government in practices offering so much opportunity for misfeasance and mal-feasance."

As question No. 2 is closely allied with the first question, it is interesting to note some of the comment—particularly in view of the fact that 67 percent gave the opinion that bank credits *have* been eased during the past year. Here are some of the comments by members of the Credit Council in reply to the question: "Has bank credit been eased in your locality as regards commercial loans within the past year?"

"There possibly has not been much change, as the policy of the banks is to at all times make loans to persons or firms who are good risks. There may be more persons and firms now in slightly better financial condition or who have a much better promising future, in which case the banks would be warranted in extending credit more liberally than heretofore."

"It is hard to find where bank credit has improved over the past year. It might be said that it is a little easier to obtain moderate sized loans, but they are secured many times over and are restricted in amounts, so that the benefits, as we view them, are negligible."

"We do not believe there has been any time within the past year that any business that has been entitled to a commercial loan in our vicinity has not been able to secure it, which still holds good. This, however, is not true in other spots in our territory but the cities so affected are the exceptions. A very considerable portion of our rural communities of course have been affected for the reason that formerly there were far too many small banks which should never have been chartered in the first place."

Convention highlights

Plans are developing, the program promises excellent and interesting features, delegates are registering . . . East . . . West . . . North . . . South . . . echoing the slogan: "Constructive credit for real recovery."

By BRACE BENNITT, National Convention Director

For the fifth time in its history, which includes 39 annual meetings, the Annual Convention of the National Association of Credit Men will be held in a far west city. This year's convention will take place at Los Angeles during the week of June 11-15. Coincident with it will be the Fourth Credit Congesss of Industry, a feature that was successfully established at the Boston Convention in 1931 and has gained increasing strength and interest in subsequent conventions in Detroit and Milwaukee. This increasing interest and attendance at the Credit Congress is a natural result of the great growth of the Industry Credit Groups in our organization.

Six years ago the N. A. C. M. journeyed westward for its annual meeting—that time the unforgetable Seattle convention of 1928. This year we have the first opportunity to obtain the values of an annual convention and at the same time the chance to visit and enjoy sunny Southern California. We will be in a stimulating atmosphere and partake of a hospitality second to none.

Our host—the Los Angeles Credit Men's Association—has been working months in preparation for our arrival and the program of business and entertainment that is planned for you, and that is shown in skeleton form elsewhere in this issue, gives you evidence of their desires to make this the greatest Convention we have ever had. Led by Covention Chairman J. M. Rust, who is also Treasurer of the Union Oil Company and Vice-President of the N. A. C. M., committee work has been admirably planned and chairmanned with executive direction which means that everything will run smoothly for us.

No little part of our Convention enjoyment—and we repeat this from previous articles—are the fine facilities for your personal comfort and housing. The Convention Headquarters, the Los Angeles Biltmore, is ideally equipped in every way for delegates' rooms, general session rooms, group meeting places, special banquets, etc. We have our Convention under one roof and that means time saved in going to and from business sessions and entertainment features, and yet with all, an economical price in every respect.

On Monday Afternoon one of the famous bands of this section opens the Convention. Officials of the city and state will be there. The inspirational Fredrick Woellner will make the opening address—our own Executive Manager keynotes the Convention with "Constructive Credit for Real Recovery"—his crowded year of executive management and public service having given much material for a wonderful message.

Going on through the week we have U. S. Webb, Attorney General of Calif.; Dr. A. H. Giannini, inspiring head of the Bank of America, Tuesday afternoon special sessions on our Association and its services with particular reference to the Legislative and Bankruptcy problems so close to our interest at present.

S. P. Chase, Secretary, Los Angeles Credit Men's Assn., Hosts of 1934 Convention.

Thursday morning Dr. Wilson Compton, chief of the N.R.A. Trade Association and head of National Lumber Association, brings us a message on organization and its importance to American business. That is Credit Congress Day. Thirty groups will meet in their own sessions and deliberate on their respective problems. Friday, that outstanding member of the bar—Earle W. Evans, President of American Bar Association—who knows our organization, its work and its problems and who brings an address of value to everyone.

The entertainment features will include the President's Ball in a new setting with novel features—a specially chartered steamer for our day of pleasure at Catalina—two evenings of enjoyment in unusual settings such as they only have in California—two wonderful outings for the ladies—one on Tuesday, one on Thursday covering two of the glorious trips in addition to their participation in all features, including the Movie Studio Party on Thursday.

The three big Convention Specials starting from New York, Chicago and St. Louis are bringing not only large delegations from their own cities but joining many others from other Associations. A particularly economical Convention and vacation will be combined by going on these fine trains. In addition, the value of the Special trains grows as a meeting point with fellow Credit Men, thus being part of a big happy family for two or three weeks. 175 to 200 are expected on the Chicago Special—Milwaukee our fine hosts last year report 38 already signed up—Pittsburgh says at least 15 and maybe 20—Rochester with 5 to (*Cont. on page* 38)

Los Angeles Convention Officials

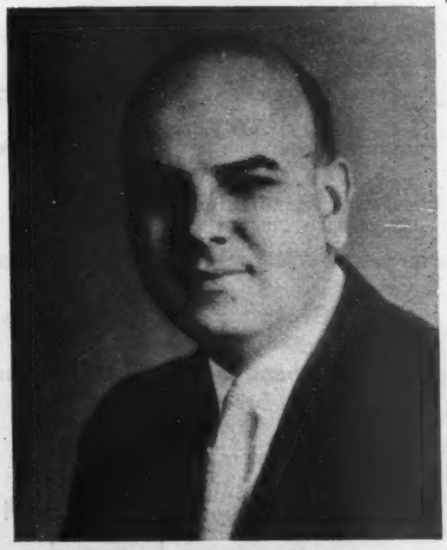
J. M. Rust, General Chairman.

Ralph Meyer, Entertainment.

Mrs. E. Walter, National Convention Women's Committee.

(left) A. A. Normandin, Pres., L.A.C.M.A. (right) Miss E. A. Chapin, Local Credit Women's Committee.

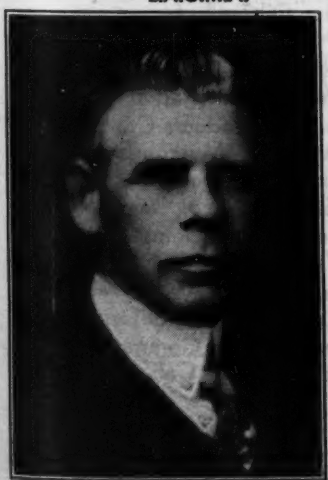
Tobias Kotzin, Vice Pres., L.A.C.M.A.



J. R. G. Thompson, Treas., L.A.C.M.A.

R. W. Watson, 2nd Vice Pres., L.A.C.M.A.

W. W. Clarke, Program and Speakers.



(above, center) C. A. Breckenridge, Transportation. (below) A. J. Bush, Information.

Many group meetings planned at Credit Congress of Industry

by PHILIP J. GRAY

Congress Director

The Fourth Credit Congress of Industry at Los Angeles promises to outdo and outdraw all previous sessions.

Two points of especial significance attract attention to this Congress. The first is the number of trades covered by the Group Meetings and the second is the wide scope of the programs arranged for those meetings.

Listed on this page are those meetings which have been completely organized. It is safe to say that several more will be scheduled before Congress Day. An examination of this list will acquaint you with the extensive cross-section of industry covered in the sessions.

The programs for the Groups are startlingly dissimilar. In years past the various programs scheduled a number of similar subjects, while at Los Angeles it is evident no two groups will discuss the same problems.

Small wonder that this is true when we stop to consider the multitude of thought-provoking subjects that faces the Credit Executive of today . . . Inflation, Deflation, Reflation, Gold, Silver, Codes, Managed Currency, Bank Insurance, Stabilization, Imports, Exports, Emergency Legislation, the N.R.A. . . . These are some of the problems that challenge the ingenuity and thought of the alert Credit Executive and demand solution and all of them along with a host of other questions of prime importance are given particular attention by the Group Chairmen on one program or another.

This year more than any other you should plan to attend the Convention and to take an active part in the Credit Congress Group Discussions. You will find your trade associates there and in the interchange of experience with them, you will benefit immeasurably.

GROUP	CHAIRMAN	FIRM
Automotive Supply Wholesalers	J. F. Mullen	Ballou & Wright, Seattle, Washington
Bankers' Group	C. A. Rude	Security-First Natl. Bank, Los Angeles, California
Clothing & Dry Goods Group	P. R. Bergman	The Black Mfg. Company, Seattle, Washington
Coal Group	C. J. Renard	F. Hurlbut Company, Green Bay, Wisconsin
Distillers' Group	L. D. Duncan	American Medicinal Spirits Co., Louisville, Kentucky
Confectionery Mfrs. Group	W. S. Gruger	Imperial Candy Company, Seattle, Washington
Drug & Chemical Mfrs. Group	D. G. Smylie	Parke Davis & Company, Chicago, Illinois
Drugs, Confections and Tobacco Wholesalers' Group	R. B. McFadden	Alexander Drug Company, Oklahoma City, Oklahoma
Electrical and Radio Group	J. J. O'Reilly	Graybar Electric Company, Los Angeles, California
Engineering & Construction Group	S. S. Morton	Harron, Rickard & McCone Co., San Francisco, California
Florists' Supply Credit Group	Wm. A. Hansen	Wm. A. Hansen Co., Chicago, Ill.
Food Prod. Wholesalers' Group	W. C. Grimmer	Joannes Brothers Company, Green Bay, Wisconsin
Footwear Group	R. S. Shannon	Weyenberg Shoe Mfg. Company, Milwaukee, Wisconsin
Furniture Group	J. C. Weber	James Graham Mfg. Company, San Francisco, California
Hardware Manufacturers' Group	Paul Fielden	Norton Company, Worcester, Massachusetts
Hardware Wholesalers' Group	G. M. Nichols	Salt Lake Hardware Company, Salt Lake City, Utah
Insurance Group	D. C. Campbell	Fidelity Fire Insurance Company, Chicago, Illinois
Iron and Steel and Bar Steel Group	J. N. Moylan	American Steel & Wire Company, Chicago, Illinois
Jewelry Wholesalers' Group	R. C. Wolf	C. and E. Marshall Co., Chicago, Illinois
Meat Packers' Group	F. J. Haskell	Union Packing Company, Inc., Los Angeles, California
Newspaper Group	W. A. Lightbody	Chicago Tribune, Chicago, Illinois
Oil Well Supply Group	S. E. Rees	Baker Oil Tools, Inc., Huntington Park, California
Paint, Varnish & Lacquer Group	F. J. Hamerin	Lilly Varnish Company, Indianapolis, Indiana
Paper Prod. & Converters Group	R. C. Flom	Menasha Products Company, Menasha, Wisconsin
Fine Paper Group	P. H. Anderson	Zellerbach Paper Company, San Francisco, California
Petroleum Group	M. C. Roberts	Tidewater Oil Company, Tulsa, Oklahoma
Plumbing and Heating Group	C. W. Dittmar	Crane Company, Los Angeles, California
Stationery, School and Office Equipment & Supply Mfrs. Group	L. A. Miller	The Macmillan Company, San Francisco, California
Textile Group	E. F. Addis	Meinhard Greef & Company, New York, New York

39th ANNUAL CONVENTION PROGRAM

MONDAY—Convention opens with song and band—and a bang!

1. The *Governor* and *Mayor* will be there!
2. *National President Kilcup* will preside.
3. *Frederick Woellner*—one of the most inspirational speakers of the time makes the opening address.
4. *Henry H. Heimann*—Executive Manager N.A.C.M., recently Director U. S. Shipping Board Bureau—Secretary, Industrial Advisory Board N.R.A., delivers the *Convention Keynote Address,* "Constructive Credit for Real Recovery."

TUESDAY—

1. *The Legislative and Bankruptcy Session* with outstanding and currently informed speakers.
2. One of the most renowned *Bankers* of the country.
3. W. E. Mallalieu, Gen. Mgr. Nat'l Board of *Fire Underwriters,* on the credit phases of this other cause of annual loss to business.
4. *The National Association of Credit Men and its Services,* an intimate presentation and discussion of interest to every Credit Manager.
5. A pertinent address by *The Attorney General of California,* U. S. Webb.
6. *Past President* Don Ross of Portland makes the *Membership Awards* for the past year's performance.

THURSDAY—

THE 4th CREDIT CONGRESS OF INDUSTRY

1. *Dr. Wilson Compton*—Director Trade Ass'n Division, N.R.A. and Gen. Mgr. National Lumber Ass'n.
2. Convention divides into *Industry Group Sessions* over thirty in number—the *High Spot and Most Informative* meetings of the Convention—"chairmaned" by prominent members in the respective fields of industry and dealing with such pertinent subjects as:
   Credit Phases of the Codes.
   Stabilization of Industry Credits.
   The Industry Group as a Controlling Factor.
   Credit and Sales Coordination.
   Inter-Industry Credit Dependence.
   Concentration of Credit Information Clearance.
   The Business Outlook.
   Prevention vs. Salvage,
   and many other timely subjects.

LOS ANGELES, CAL., JUNE 11 to 15

FRIDAY—

1. *The Annual Elections*—colorful, inspiring.
2. *The President of the American Bar Association,* Earle W. Evans —forceful speaker with a real message.
3. Past Executive Manager—*J. H. Tregoe.*
4. Address—The *Incoming President* N.A.C.M.
5. A prominent representative of the *United States Government.*
6. A *Financier* of international repute.
7. Final *Pronouncements and Resolutions* of the Convention.

AND . . . DURING THE WEEK—

1. The Annual Foreign Trade luncheon
2. The Annual Meeting and Banquet of the Credit Women
3. Meeting and Banquet of The Robert Morris Associates, etc.
4. Other Sectional Meetings.

THE ENTERTAINMENT

1. *The Annual Convention Ball—and Presidents' Reception*—in the finest setting and with a famous orchestra.
2. *Entertainment and Party at The Jonathan Club*—it would spoil your fun if we gave you the details!
3. *For the ladies only*—a wonderful trip of their own!

AND ON WEDNESDAY:

4. *CATALINA DAY—The Big "Day Off"*—a specially chartered steamer—dinner at the famous St. Catherine—dancing in the Avalon Casino to another nationally known orchestra—some time allowed for you to take in the many attractions of the island—back home a little late—but *what a day!*
5. The BIG news—an all-stars specialty (we mean movie stars). A Studio Party right in the movie studio at Universal City—screen tests for delegates and wives—dancing with the Universal Films Orchestra—a pre-view of an unreleased film — visits to movie "sets"—a real "look-in" on a Wonderland more astonishing than Alice's!
6. At the option of the delegates for their spare time—entree to fine Golf Courses, Athletic Clubs, Swims, etc., etc.—LOS ANGELES TIMES contributes to the convention by loaning one of the experts from their Information Dept., who will be on hand all week to suggest to you what to do in your spare time (if you have any!).

"CALIFORNIA—HERE WE COME!"

Corporate bankruptcy measure limits rents

by ARTHUR W. CRAWFORD
Washington Correspondent
and Political Analyst.

Corporate reorganization measure now in hands of conferees of House and Senate, puts limit of one year as provable claim on rents.

Municipal Bankruptcy act requires sanction by two-thirds of creditors, whose claims have been allowed.

In any appraisal of important legislation considered by the Seventy-third Congress amendments to bankruptcy laws will hold a conspicuous place. Two measures of major significance were nearing enactment about the middle of May. One providing for corporate reorganizations was passed by the senate on May 4. While amended in some particulars the objectives remained the same as when passed by the house eleven months earlier on June 5, 1933. A separate bill relating to municipal indebtedness was passed by the senate on May 1, having been largely rewritten from the form in which it was passed by the house on June 9, 1933. The bills as agreed to by conferees of the senate and house were substantially as passed by the senate.

The two measures supplement the act of March 3, 1933, completed in the closing days of the Seventy-second Congress, dealing with individuals and railroads. All three pertain to emergency situations growing out of the depression.

The various knotty problems of policy and constitutional authority which delayed prompt action on the corporate reorganization bill were sufficiently ironed out by the time it reached the floor of the senate to make its passage possible without a roll call. The municipal bankruptcy bill on the other hand precipitated a sharp controversy, its passage by the senate being by a vote of 45 to 28.

The purpose of the corporate reorganization bill according to its sponsors is to bring the exercise of the bankruptcy powers more in line, from a practical and helpful standpoint, with the necessities of both distressed debtor corporations and their creditors and to reduce the expense and delay of administration. The plan of the bill is to enlarge and facilitate, so far as is consistent with the rights of all parties in interest, the opportunities of amicable adjustment between debtor and creditor for rehabilitation and reorganization.

The corporate reorganization bill as passed by the Senate limits the provable claim of landlords to one year after the debtor has given up the premises. The original bill permitted the landlords to establish claims for the entire amount of their lease term. This point was fought by the National Association of Credit Men and amendments providing for the limitation to one year was introduced in the committee hearing and carried through as the bill was finally voted in the Senate. The conference between House and Senate is the last hurdle this feature of the measure, in which credit men have such a deep interest, must meet. It is understood that the House conferees are agreeable to an o.k. on this feature.

While the bill was framed with primary regard for the present unusual economic conditions it was the belief that an expansion of the opportunity for amicable adjustment by debtor and creditors under the supervision and protection of the bankruptcy courts and for holding the property intact with its operation disturbed as little as practicable would prove of permanently helpful assistance to distressed corporations and be in line with the public interest. The subject of corpdrate reorganization is new to bankruptcy law except with respect to railroads.

In case a plan of reorganization is proposed and accepted by the required percentage of creditors and confirmed the cost of the readjustment will be reduced in a number of different ways. These are cited in the congressional committee reports as follows:

1. Ancillary receiverships are obviated.
2. Compensation of reorganization managers, counsel, etc., must be found by the judge to be reasonable and reimbursement is made for only actual and necessary expenditures.
3. The bill permits the debtor corporation to be the final reorganized corporation.
4. In order to permit of an extension the plan may provide for an extension of maturity dates or a change in interest rates or other terms, or the curing or waiver of defaults and the modification of liens, indentures or other instruments.
5. Liens may be satisfied, avoiding the costs of foreclosure where a mortgage indebtedness must be readjusted.
6. The fact that outstanding securities may be amended or modified by change of interest rates or otherwise may make it unnecessary to have new securities engraved, printed or otherwise prepared and issued.
7. The court is authorized to continue the debtor in possession and in such case the salaries of officers must be reasonable and approved by the judge.
8. The bill exempts from the stamp tax the issuance of the new securities, if any are issued, and thus prevents a duplication of tax.
9. The bill permits a plan of reorganization to be presented and accepted by creditors and stockholders before the institution of a proceeding.

Under the terms of the measure a plan may be proposed by any creditor or stockholder either if approved by creditors whose interests are affected holding 25 per cent in amount of any class and 10 per cent in amount of all creditors, or, if the debtor is not found to be insolvent, by stockholders whose claims are affected holding 25 per cent of any class of stock in number or 10 per cent of all shares outstanding. The debtor may propose a plan without any such approval. A plan may be submitted if it is meritorious in itself, not-

withstanding that the required approvals have not been obtained. It is provided that a plan shall not be confirmed until it has been accepted in writing by creditors holding two-thirds in amount of the claims of each class whose claims have been allowed and would be affected by the plan and by stockholders holding a majority of the stock of each class. Such consent on the part of creditors is not required if their claims are not affected or if the plan makes provision for the payment of their claims in cash in full, or for their protection.

Constitutional questions were involved of a character similar to those raised in the railroad reorganization section of the act of March 3, 1933. The congressional committees had before them opinions from high authorities sustaining the validity of the particular provisions in question.

The sharp division of opinion over the municipal indebtedness bill may be realized from the fact that minority reports were filed from both the house judiciary committee and the senate judiciary committee. In the case of the house committee nine of its 25 members signed a minority report. In the senate committee four out of 18 members signed a minority report.

In the house majority committee report issued a year ago it was stated that about 1,000 local governmental bodies were in default on their obligations. The senate majority committee report, issued in March of the present year, estimated the total at about 2,000.

A declaration of policy in the municipal indebtedness bill holds the existence of "a national emergency caused by increasing financial difficulties of many local governmental units, which renders imperative the further exercise of the bankruptcy powers of the Congress of the United States."

The bill is of a temporary character, providing that for a period of two years courts of bankruptcy in addition to the jurisdiction exercised in voluntary and involuntary proceedings to adjust persons bankrupt shall exercise original jurisdiction in proceedings for the relief of debtors as provided by the act.

Any municipality or other political subdivision of any state, including any county, city, borough, village, parish, town or township, unincorporated tax or special assessment district, and any school, drainage, irrigation, levee, sewer or paving, sanitary, port, improvement or other districts, may file a petition stating that the taxing district is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for readjustment of its debts.

As passed by the senate the bill provided that the petition shall state that a plan of readjustment has been prepared and that creditors of the taxing district owning not less than 51 per cent in amount of the bonds, notes and certificates of indebtedness of the taxing district affected by the plan have accepted it in writing. In the house bill a minimum of only 30 per cent was required. The senate and house conferees accepted the senate 51 per cent provision except as to drainage, levee and reclamation districts.

A plan of readjustment shall include provisions modifying or altering the rights of creditors generally, or of any class of them, secured or unsecured, either through the issuance of new securities of any character or otherwise

Under the new municipal measure two-thirds of the creditors must agree upon a settlement after it has been sanctioned by the court.

and may contain such other provisions and agreements not inconsistent with the act as the parties may desire. No creditor shall be deemed to be affected by any plan of readjustment unless it shall affect his interests materially and adversely.

The plan of readjustment shall not be confirmed until it has been accepted in writing by or on behalf of creditors whose claims have been allowed holding two-thirds in amount of the claims of each class whose claims have been allowed and would be affected by the plan and by creditors holding 75 per cent in amount of the claims of all classes of the taxing district. It must be approved also by the taxing district. The house bill omitted the requirement as to 75 per cent of claims of all classes. The conference agreement includes the senate 75 per cent except as to drainage, levee and reclamation districts for which a two-thirds approval is sufficient.

Opposition to the bill was based on two grounds; first, that it is unconstitutional, and second, that the policy of enacting such legislation is ill advised.

With respect to the legal point it was contended that the power of the states and their subordinate governmental agencies to borrow money, incur obligations and fix tax levies is essentially a function of the sovereign states, legislative in nature, and cannot be delegated to the judicial branches of the states, much less to the judicial branches of a foreign sovereignty.

On the question of policy it was contended that the inevitable results of the operation of a municipal bankruptcy law would be to depress the market for municipal securities and seriously impair the credit of cities in sound financial position. It was argued that only a comparatively small per cent of municipalities would take advantage of the law yet its presence on the statute books would depress the value of securities heretofore considered of a gilt edged character. The importance from this standpoint was emphasized by figures indicating that from 250,000 to 400,000 taxing districts would be potentially subject to the legislation. Total outstanding securities of these districts amount to about $20,000,000,000.

Enactment of the corporate reorganization and municipal indebtedness bills awaited approval of conference reports by the two houses and the signature of the President.

While on the subject of bankruptcy legislation it may be of interest to mention that the poor creditors would have a sorry time indeed if all of the legislation introduced in the Congress were enacted. The grist of proposals designed to assist the debtors has been especially large during the session just about to close. Some of these proposals never get beyond the introductory stage. They are introduced by some member of the House or Senate, ordered printed, and are referred to the governing committee. Here they are placed "on file" until they are "washed out" with the closing of the congressional session.

The announcement made on May 14 in a report of the House judiciary subcommittee that equity receiverships and bankruptcy proceedings in general had degenerated into (*Continued on page* 58)

A four billion racket?

■ Professor Louis P. Starkweather, of New York University, and Frank L. Valenta, investment consultant of Edie-Davidson, Inc., present research data on bankruptcy wastes in an article in "Barron's."

"Equity receiverships and bankruptcy matters have degenerated into nothing more or less than a pure racket which should be stopped by Congressional legislation."

The above declaration by the House Judiciary sub-committee in a report to the full committee on May 15th, indicates an attitude of mind on the part of those legislators at least who have had an opportunity to study the facts, to remedy a situation which in 1933 brought about a business waste of well over a billion and a half. Some new legislation may be added to the Federal statutes by this session of the Congress. These new laws have to do with Corporate Reorganization and with the use of the bankruptcy courts for the adjustment of the financial difficulties of some of our municipalities.

But it is in the war against the many abuses of bankruptcy and its practices, however, that Credit Executives must assume the leadership. This summer while members of the Congress are at home is the opportune time to keep up this campaign to maintain the integrity of credit by an intensive drive so that when the Congress convenes again, not only the members of the judiciary committee but every member of the House and Senate shall have a complete picture of this situation which costs business many millions of dollars every year.

The "racket" mentioned in the report of the Judiciary sub-committee develops from several angles. We have but to refer to the Federal report for the year ended June 30, 1933 to learn the magnitude of this racket. Out of 67,031 cases handled in Federal bankruptcy courts we find that from a total of $1,627,066,000 in claims by creditors only $115,789,000 was the sum of the assets realized for these creditors and that for every dollar received by creditors, the cost of liquidation amounted to 27.6 cents.

Considerable propaganda has been spread about against the use of corporations, such as the Irving Trust Company of New York, as trustees in bankruptcy cases. But when we look at the record and learn that in the Southern District of New York the average cost of handling bankruptcy cases by the Irving Trust Company during the past 5 years was 20.65 per-cent as against 34.47 per-cent in cases handled by others, we realize why the judges and credit men in the New York district have been so enthusiastic in their praise of the Irving Trust Company plan.

An excellent picture of how excessive costs eat away assets is presented in an article appearing in the May 14th, issue of "Barron's, The National Financial Weekly" by Louis P. Starkweather, Assistant Professor of Finance, New York University School of Commerce and Frank L. Valenta, Investment Consultant of Edie-Davidson, Inc., New York. These men have made a comprehensive research of facts and figures pertaining to bankruptcy and set forth important findings as a result of that research which should be read and studied by every credit executive as well as those who have the management of industrial or wholesale institutions.

A table prepared by Messrs. Starkweather and Valenta tells the story of the high cost and low returns of equity receiverships and bankruptcies in a most astounding manner and gives an argument in favor of corporate management in such cases which seems unanswerable. This table is shown in an adjoining column, through the courtesy of the authors and of "Barron's."

In commenting on the figures shown in this table Messrs. Starkweather and Valenta say:

"In the first place, the fees and expenses of administration represented

STATISTICS OF BANKRUPTCY PROCEEDINGS CASES CONCLUDED IN THE SOUTHERN DISTRICT OF NEW YORK AS COMPARED WITH THE ENTIRE UNITED STATES

Year June 30	Tot. cases concluded	Tot. assets realized (000 omitted)	Fees and exp. of adminis. in % of assets realized	% Paid to all classes	% Paid on all unsec. claims
A. On Cases Concluded by Irving Trust Co.					
1929	2	$7	13.98	78.25	31.09
1930	71	475	22.64	76.69	29.81
1931	446	1,536	28.03	70.62	10.10
1932	784	2,753	34.14	59.94	6.82
1933	1,301	12,213	16.60	81.56	10.68
Tots. & av.	2,604	16,984	20.65	76.93	10.10
B. Cases Concluded by Others					
1929	2,239	$11,953	33.15	65.04	10.38
1930	1,714	7,226	40.61	53.63	7.78
1931	1,869	7,745	53.94	43.61	7.11
1932	1,266	4,103	22.36	67.73	9.15
1933	1,897	15,782	26.26	66.63	14.47
Tots. & av.	8,985	46,809	34.47	60.51	10.27
C. For Entire United States					
1929	57,039	$88,964	22.42	74.55	10.42
1930	60,548	106,245	20.91	77.02	14.36
1931	60,322	89,535	22.09	75.63	10.62
1932	63,502	85,577	21.83	73.65	9.64
1933	67,031	115,789	20.82	75.38	9.70
Tots. & av.	308,442	486,110	21.55	75.31	10.84

20.65% of the net assets realized by the Irving Trust Company and 34.47% in cases handled by others in the same district. The average for the entire United States was 21.55%. In other words, creditors of bankrupts whose cases were handled by the Irving Trust Company received 76.93% of the total assets realized, whereas creditors whose cases were handled by others received 60.51%, while the average for the entire United States was 75.31%.

"In so far as unsecured creditors in the Southern District of New York were concerned, payments by Irving Trust amounted to 10.10% of their claims, whereas others received 10.27%. These percentages compare with 10.84% for the entire United States. However, the extremely low return of approximately 10 cents per dollar of unsecured claims merely emphasizes the importance of "locking the stable door before the horse is stolen." Good management in bankruptcy liquidation will provide, it is true, a somewhat higher return to creditors, which is commendable. However, such improvement is negligible as compared to the tremendous total loss of capital which failure involves.

"If the expense ratio of the Irving Trust Company had applied to the total net realized assets for the five years in the Southern District of New York, the difference in return to creditors would have been as follows:

"Total assets realized........	$63,793,000
"If expense proportion of "others" had prevailed (34.47%) expenses would have been............	21,989.000
"If expense proportion of Irving Trust Co. had prevailed (20.65%) expenses would have been	13,173,000
"Creditors would have received an increase of 21.3% in realized assets paid to creditors, amounting to $41,387,000 or....	8,816,000"

By means of a chart, which is reproduced in the adjoining column, the authors show the rather startling picture of how creditors have been getting but a few cents per dollar of claims in bankruptcy cases. Relative to the facts shown in this chart, Messrs. Starkweather and Valenta have the following to say:

"A study of business failures and bankruptcies for the past 14 years, from 1920 to 1933, explains in a striking manner the importance of exercising the greatest precaution in the granting of credit. In a recent study, the Department of Justice revealed that "the ease of wiping out debts through the assistance of the bankruptcy courts has resulted in a condition threatening the foundation of our credit structure. Regardless of the causes of failure, of how the property was wasted, or of the responsibility for gross neglect and culpable conduct, the bankrupt is almost inevitably granted a discharge without inquiry or opposition (98% of the commercial bankrupts are granted discharges). Thus those who fail are allowed, and it might be said encouraged, to secure more credit and create further losses."

"In the chart there is presented a record of the "vital" statistics of all bankruptcies in the United States for the fiscal years ended June 30th, 1920, to June 30th, 1933, inclusive. It is important to realize that this record of bankruptcies does not include receiverships which terminated in reorganization, unless such reorganization was consummated through foreclosure proceedings in bankruptcy. Neither does it include many cases in which the principals merely disappeared, and against whom no bankruptcy proceedings were instituted."

"The pertinent facts disclosed in this study may be summarized briefly, as follows:

"1—In the 14 years ended June 30, 1933, there were 631,439 bankruptcies in the United States."

"2—Although the average annual rate may be calculated at 45,103, the sharp upward trend constitutes a serious problem. Bankruptcies in 1933 were over four times as great as in 1920, while in 1929 they were three times as great. Contrary to the general impression, the number of bankruptcies steadily increased during the most 'prosperous' years of American business, 1926 to 1929."

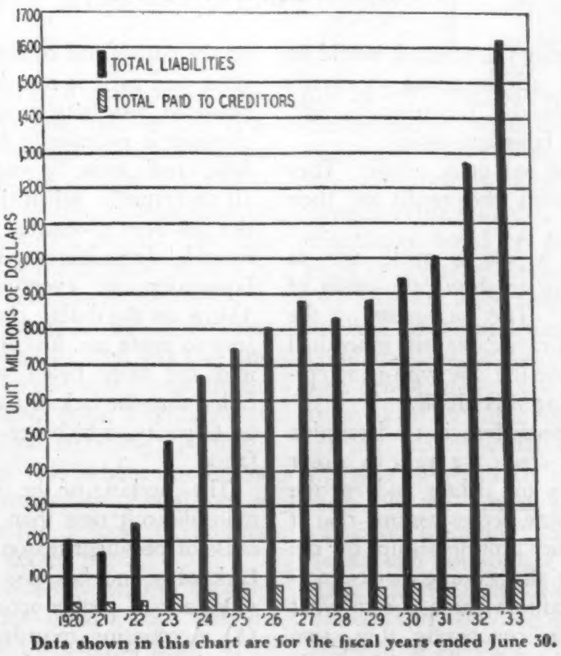
"3—Of the total of 631,439 bankruptcies during the past 14 years, approximately 58%, or 365,846, represented cases in which there were no realizable assets. It is interesting to note that in 1931 as many as 64% of all bankrupts had no realizable assets."

"4—The total assets realized in all bankruptcies during this 14-year period amounted to $1,079,801,000, whereas the total liabilities reached the amazing sum of $10,776,566,000, or an excess of $9,696,765,000. It would seem that if the Administration feels that six billion dollars will completely "prime the pump" for recovery, surely the proposal of some method of preventing the loss of a substantial part of 10 billion dollars during the next decade should find a sympathetic ear in Washington."

"5—Of the $1,079,801,000 of assets realized in bankruptcy liquidation, creditors of all classes received $814,849,000, or an average of about 7.56 cents per dollar of liabilities. All creditors were not so fortunate, however, for the return per dollar steadily declined from 12.56 cents in 1921 to the amazingly low figure of 5.00 cents in 1932. In 1933, a slight improvement was shown to 5.36 cents, due primarily to the fact that the increase in the number of no-asset cases was arrested. Liabilities, it should be noted, reached a new high figure of $1,627,066,000 in that year."

"6—The expense involved in (*Cont. on p.* 49)

Total Liabilities and Payments to Creditors



Data shown in this chart are for the fiscal years ended June 30.

TOTAL LIABILITIES AND PAYMENTS TO CREDITORS

Yr. ended June 30:	Total liabilities	Payments to creditors	Yr. ended June 30:	Total liabilities	Payments to creditors
1920..............	$201,626,000	$22,223,000	1927..............	$885,557,000	$72,094,000
1921..............	171,284,000	21,511,000	1928..............	830,789,000	66,693,000
1922..............	255,614,000	29,434,000	1929..............	833,606,000	66,323,000
1923..............	486,401,000	47,998,000	1930..............	948,258,000	81,827,000
1924..............	663,645,000	54,523,000	1931..............	1,008,654,000	67,620,000
1925..............	747,523,000	63,528,000	1932..............	1,260,230,000	63,028,000
1926..............	806,313,000	70,765,000	1933..............	1,627,066,000	87,282,000

Losing in the credit stakes

"Are we gambling with terms as the chips in the game of business or are we operating on sound judgment and facts?"

By F. E. CLYDE, District Credit Manager, The Paraffine Companies, Seattle, Wash.

In discussing this topic, it would no doubt be advantageous to correct the expression "Granting Credit." This is a false expression.

Creditors do not grant credit. They accept or absorb the credit of their debtors.

Every time a sale is made, we, as creditors, accept or absorb the credit of the purchaser. The fact must not be overlooked, that we, as an individual creditor, are not the one who is accepting or absorbing this credit.

The usual procedure is to determine the amount of credit we want to accept or absorb from any debtor and for the sake of argument, let us assume that it is 10% of the proprietorship or net worth. Let us also assume that twenty-nine other creditors reach a somewhat similar decision concerning this same account. What is the result? It is readily observed that jointly, the combined creditors have accepted or absorbed three times as much credit as ever existed.

The acceptance of this false credit was entirely due to the lack of knowledge on the part of one or more of these creditors, and as it is not the policy of any house to distribute merchandise free of charges, it necessarily follows that this false credit must be jointly absorbed by all concerned. When the inevitable notice has been given that the debtor is in financial difficulties and must go through liquidation, we eventually receive our 33⅓¢ on the dollar, charge off the balance to profit and loss and lull ourselves into the false belief that the debtor failed thru the lack of Capital, Character or Capacity, whichever most suits our fancy.

The checking of the debtor's credit is more difficult now than in the past because of pertinent reasons such as: (1) Lack of sound business administration, (2) Lack of proper accounting records, (3) Accounting records which suit the proprietor but not the business, (4) Lack of monthly operating statements, (5) Sales department interfering with the credit department, (6) Lack of co-operation between the sales and credit departments, (7) Debtors consulting attorneys, instead of their creditors for advice, (8) Lack of co-operation between credit men and (9) Credit men not reporting the true status of their accounts to their Interchange Department.

It is recalled that not long ago an article was read concerning Charles II of England. The story goes that he called together his wise men and told them that he wanted to know why it was that his gold-fish bowl weighed just the same when the fish were in it as it did when they were removed. This group of men studied the problem many weeks without reaching any apparent solution. Finally one of the men decided that all of them had been basing their studies and conclusions on an assumption instead of facts. It is quite evident that American business today, must, more than ever before, base its studies on facts, not assumptions, and if it does establish and adhere to a policy of this nature, accepting credit only where credit really does exist, we will not again be confronted with an economic upheaval such as we have been passing through for the past few years.

Credit checking has been made more difficult at this time because in the past

we have not properly and thoroughly made a complete examination of the debtor's credit on the principle of the Three C's. In the past, the matter of Character and Capital has no doubt been given more study than has been given to the Capacity of the debtor, his capacity having only been given a superficial examination. In considering the Capacity of an applicant it must be remembered that it is necessarily made up of many traits. His ability must be examined. Is he talented as well as skillful and efficient? What education has he received? Does he have any special training or experience and is he intelligent? To be successful he must be aggressive, industrious, devising, influential and an organizer. He must have a pleasant and sympathetic personality, be accommodating and congenial. His health must be good. He must be broad-minded and versatile but constant. His efforts must be balanced, so we inquire if he is cautious, prudent and frugal.

Has he the power of discernment and of making sound decisions? In regard to his character! We must satisfy ourselves as to his integrity and honesty. Is he truthful and does he have a good reputation? Is he considered reliable and trustworthy and is he undeceiving? Inquiry should also be made into his habits and if he is given to procrastination. Is his judgment usually sound and fair to all concerned? In checking his capital we can only be guided by the definition of the word, which is: "The amount of property owned by a corporation or individual at a specified time in excess of liabilities, which is available for and/or employed in future production." During periods of prosperity we become over-confident, basing our decisions not usually on facts, but on presumptions, thereby overlooking the fundamentals, usually much to our regret at a later date.

During the past few years, it has been noticeable that the above information has been increasingly hard to obtain, thereby making it very difficult to check credit on a new account, or grant extensions to accounts now on our books, who may be in need of such aid. With your old accounts, it seems in some instances that they have been found lacking in some of the fundamental qualities so necessary to the successful operation of their venture during the recent economic upheaval. This unpleasant situation, has resulted in a semi-lack of confidence on the part of creditors, which has made credit checking very difficult.

In many instances, we have absorbed the credit of our old accounts, regardless of their current position, more or less on the basis of a wager. We were gambling that we would soon reach that elusive "corner" around which prosperity was supposed to be hibernating. We accepted their credit with the hope that general conditions would improve and with that improvement, would come a betterment in the conditions surrounding our accounts and therefore we would be justified in accepting this false credit position. It is of course history, but the most of us were the losers on that kind of gambling and each time we lost some money, we also lost some of our confidence, and promised ourselves that we would not again be caught in a similar manner, thereby no doubt doing some of our worthy customers a rank injustice, brought about by the difficult position in which we had been placed.

Credit checking today would not seem so difficult if we had been less easy and more straight-laced in the past in the manner of making credit determinations on accounts who were buying in too many markets, and whose inventories and accounts receivable were all out of proportion to the volume of business available at a decent profit.

It must be remembered and kept uppermost in our minds, that "Income from Sales is the stream from which every business secures its funds for continual operations and is the stream to which we must all look for liquidation of all obligations, if the business is to be successful."

Now in regard to credit risks being greater at this time than in the past. There is no question but what the risk is greater. This condition is not all chargeable to the debtor nor to the present times. Part of the fault is with us. (1) In our more or less unsystematic manner of checking credits, (2) We have not counseled our debtors to any great extent, if any, in business administration neither have we given their problems much thought. After all, their problems are our problems and generally speaking if we do not recognize them in this light, sooner or later we will be facing a very embarrassing situation, (3) We have in a general way made Credits competitive, we have been selling terms, not merchandise, which is all wrong.

The Debtor is at fault in that (1) he has encouraged the selling of terms, (2) he does not consult his creditors for pertinent advice, (3) he withholds vital and important information from his creditors under the false notion that it does not concern them. There are many ways that the debtor, by his own actions, could aid greatly in reducing the credit risk which he represents. In this discussion of credit checking and the difficulties which surround such an endeavor, a proposition is now made to outline what may be considered as some of the remedies needed to correct the situation: (1) Have a Credit Policy, (2) Collective Administration of Credit, (3) Credit Control based on Sales, (4) Credit Determination based on Facts, (5) Complete co-operation between credit men, (6) Develop more frequent intercourse between Debtor and Creditor. This will avoid many post-mortems, (7) Educate your debtor to the value of frequent circulation of accurate information concerning his financial condition, (8) Consider present facts and project these facts into the future, (9) Explain the value of operating statements to the debtor and how to use them, (10) Inquire into the methods employed by the debtor in determining the credit responsibilities of his trade. Suggest his joining Retail Credit Bureaus where this service is available, (11) Eliminate competition in credits, (12) Work on the theory that we accept the debtor's credit, and do not grant credit, (13) Render your decisions unselfishly and without favor, (14) Do not (*Cont. on page* 58)

Creditors do not grant credit. They absorb the credit of their debtors. Every time a sale is made, we, as creditors accept or absorb the credit of the purchaser.

American business must today, more than ever, base its studies on facts. Know your debtor, then act accordingly.

Automobile liability insurance supports commercial credit

In a recent survey of 1500 bankruptcies, a principal cause was found to be the inability to meet automobile accident damage claims. Here are some typical instances where lack of insurance or inadequate insurance resulted in bankruptcy.

by J. W. RANDALL,
Secretary, Casualty Dept.
Travelers' Insurance Co.
Hartford, Conn.

A small town merchant in Virginia was unlucky enough to be involved in an automobile accident in which a boy was hurt. Having no Automobile Liability Insurance and not being in a position to settle the case out of court, he was summoned to defend a suit for damages. The jury found him liable and awarded a judgment of $7,000 against him. Owing to insufficient cash or other liquid assets to pay this judgment, his store and automobile were sold at public auction by the sheriff in an effort to liquidate the judgment.

What chances would this merchant's creditors have of collecting what he owed them? His credit might have been excellent up to the time of the accident but deprived, as he was, of his means of earning a living, it would have been a very difficult matter for him to pay his outstanding bills after his store had been taken away from him.

This is by no means an exceptional case. Bankruptcy is not generally associated with the automobile damage suits and their resulting judgments, but it is interesting to note that in a recent survey of 1500 bankruptcies, conducted by Yale University and the United States Department of Commerce, one of the principal causes of bankruptcy was found to be the inability to meet automobile accident damage claims.

The following actual examples of concerns having been put out of business because of their inability to satisfy judgments as the result of automobile accidents illustrate the effect of insufficient automobile insurance or none at all on business credit. The first is the case of a trucking concern in New York State which carried no Automobile Liability Insurance. Instead, they decided to create a fund to be used against accident contingencies. Because of the negligence of their drivers, they were soon faced with seventeen claims, most of them court actions totaling over $195,000 in damages. The fund was very inadequate to take care of these accidents and the concern was forced to file a voluntary petition in bankruptcy in the Federal Court, showing liabilities of $220,000 and assets of $20,000.

A storage warehouse and transfer concern in Tennessee placed its automobile insurance with a small company at 35% reduction from regular manual rates. One of its trucks was involved in an unfortunate accident when it collided with a sedan, killing two of its occupants and seriously injuring a third. As a result of the accident suits were filed aggregating some $125,000 and after the case was dragged through the courts for a number of years, the insurance company covering the risk became insolvent, leaving the warehouse company to pay the final court costs, the attorneys' fees, and a judgment of $32,000. The warehouse company was unable to meet this expense, was thrown into bankruptcy and its equipment was sold to meet the judgment and court costs.

A corporation in Louisiana engaged in sausage manufacture, operated five trucks. Automobile insurance was purchased for only the minimum limits $5,000/10,000. The steering wheel of one of the trucks, while being driven by a chauffeur, locked and the truck left the road striking a girl on the sidewalk, very seriously injuring her and causing permanent total disability. Suit was brought against this concern in the amount of $50,000 and the court rendered a judgment of $35,000. As the concern was protected only in the amount of $5,000 under its policy for injury to one person, and as its assets only totaled $15,000, it was unable to satisfy the judgment and went into bankruptcy. This is an excellent example of underinsurance. There are numerous instances of business concerns which have themselves had to meet court judgments in excess of their policy limits.

The following case is very interesting from the standpoint of a credit man. A sizeable grocery and meat market in a western state carried practically every line of Casualty insurance. One of this concern's trucks was involved in an accident and faced with a law suit. Some of its competitors spread the rumor that the company was being sued for a large amount and did not carry insurance. This rumor affected the company to the extent that some of the large packing and wholesale concerns questioned its credit because of this law suit and as a result, several credit managers immediately reduced the amount of credit. This embarrassing situation was finally relieved when the insurance company notified the various credit men that the grocer was adequately protected by insurance and that his financial standing was not impaired in the slightest because of the pending law suit.

The mere carrying of an insurance policy to guarantee payment of loss in case of an automobile accident is not in itself sufficient. Adequate amounts of insurance are necessary to guard against

the large judgments of the present day. To illustrate this point, here are a few examples of large judgments. A few months ago in the State of New Jersey, judgment was rendered against a bus transportation company in excess of $135,000 as the result of an accident when one of the company's busses collided with a private passenger car, severely injuring the driver who sustained a serious permanent total disability. Appeal was made against this large judgment but the case was finally compromised out of court for approximately $100,000.

The highest verdict ever handed down in the State of Idaho occurred several years ago as the result of a collision at an intersection between a truck and a private passenger car. The young man driving the private car was permanently injured for life and awarded $100,000 by the court. Less than two years ago a Federal Court in Minnesota awarded a claimant $32,800 as the result of an automobile accident which occurred in 1923. Judgment was entered against an internationally known company in whose car the claimant was riding when the accident occurred. This case is exceedingly interesting for several reasons; first, the amount of the judgment shows the necessity of carrying adequate limits for protection; second, the claimant was a passenger in the car and third, the judgment was not rendered until nine years after the accident. An extraordinary decision was handed down about a year ago in Missouri. A man and his wife were injured in an automobile accident which involved the car of a large nationally known concern. The wife sued and a jury awarded her $35,000; the husband also entered suit for loss of his wife's services and collected $21,000.

Recent examples of high verdicts in the field of automobile insurance have been cited. An outline of a few extraordinary accidents may be interesting from an insurance standpoint. The first case illustrates the seriousness of a bad automobile accident. The accident resulted in the wrecking of six cars and killing and injuring eleven people. It happened as follows: A heavy truck and trailer owned by a transportation company was descending a long grade when the truck went out of control and raced down the highway for about two miles when it collided with a smaller truck traveling in the same direction. This second truck was dragged for a distance of some 200 feet, went off the road, burst into flames killing the driver and permanently maiming a passenger. The first truck continued down the grade, striking another truck and trailer, overturning it and causing some acetylene oxygen tanks on the truck to be scattered over the highway.

The driver and helper of this truck were very seriously injured. The first truck continued further down the grade, struck another truck coming in the opposite direction, overturning it and injuring both occupants. The first truck then turned over, burst into flames and killed both the driver and a passenger. A few moments thereafter another truck struck the acetylene tanks which were scattered over the highway, went off the road and down into a ravine, killing the driver. Before any warning could be issued to oncoming traffic, a passenger car in trying to avoid the damaged trucks strewn over the highway, went off the road, severely injuring its two occupants. A number of suits have been filed in this case for personal injuries, death and property damage involving an amount in excess of $400,000. This case very clearly illustrates the relationship of credit and automobile insurance.

A very extraordinary accident occured in June of last year in the State of Ohio when a truck loaded with crushed stone was proceeding along the highway. Suddenly a bee flew into the cab and stung the driver. In his effort to drive the bee out of the car, he pulled the truck to the left hand side of the road and collided head-on with a car coming in the opposite direction. Six people were riding in the other car and all were very seriously injured. Two of these cases have been settled for $7,000. Substantial offers have been made in two of the other cases and two suits are pending totaling over $20,000.

Another accident occurred in a rather extraordinary case involving possible Property Damage Liability. Last December a gasoline truck with a trailer was approaching a bridge on a highway in the State of Washington. One of the front wheels of the truck dropped into a hole, breaking the steering wheel and as a result the truck upset on the bridge igniting a cargo of some four thousand gallons of gasoline. The bridge was of steel construction, reinforced concrete and fire proof but the steel girders in the bridge became red hot from the intense heat and melted, plunging the bridge into the river. This case illustrates the possibilities of large property damage claims as the replacement cost of the bridge is estimated at some $70,000.

The above instances indicate the seriousness and economic loss due to automobile accidents. They likewise illustrate that the credit of a corporation or business man can be very seriously impaired as the result of automobile accidents, and, unless he is completely and adequately insured, it may mean bankruptcy or serious financial difficulties.

One sudden accident can sink a worthy ship . . . or a business.

Credit in the codes

Art Needlework Industry: Usual unfair trade practices. No consignment except as defined by code authority. Definitely specified terms of sale and discount. Regulation of sale of seconds.

Beverage Dispensing Equipment Industry: Usual unfair trade pactices. No discrimination between purchasers of industry's products. Detailed regulations as to advised quotations, prices and terms of sale to be filed with Code Authority.

Brush Manufacturing Industry: Very complete list of unfair trade practices. No prepayment of freight. No consignment or carrying over accounts except that a manufacturer may take over a stock on a consignment basis for "legitimate credit reason" and under such cases report same to Code Authority. "Carrying account" defined to mean an understanding between seller and buyer that requires buyer only to pay his account down to a specified amount, regardless of due date, resulting substantially in effect of consignment to that extent.

Bulk Drinking Straw, Wrapped Drinking Straw, Wrapped Toothpick & Wrapped Manicure Stick Industry: Prices and terms of sale to be filed with Code Authority. Usual unfair trade practices. No contracts for a period exceeding six months.

Canvas Goods Industry: Usual unfair trade practices considerably amplified to cover certain matters peculiar to this industry. Open price listing.

Cement Gun Contractors Industry (Division of Construction Industry): No credit provisions.

Clay Drain Tile Mfg. Industry: Prices and terms to be filed with regional committees. Usual unfair trade practices.

Clay Machinery Industry: Open price filing including filing with Code Authority schedule of trade-in allowances, usual unfair trade practices.

Coal Dock Industry: No sale of coal at less than the price established under this Code. No secret rebates, refunds, credits, unearned discounts, etc. Price list filed with code authority.

Collapsible Tube Industry: Usual unfair trade practices. Trade Practices Committee to be appointed by Code Authority.

Commercial Stationery & Office Outfitting Trade (Division of Wholesaling or Distributing): Open price arrangement. Divisional Code Authority to recommend minimum down payment on instalment sales.

Cotton Textile Industry (Amendment): Unfair trade practices amplified, forbidding selling agent to make allowances, commissions, secret rebates, inducements of any kind. Spinning mill terms and discounts specified, applying only to domestic sales.

Covered Button Industry: Usual unfair trade practices and discount period defined.

Cylinder Mould and Dandy Roll Industry: Open price listings. Usual unfair trade practices, including guarantee against prices changing beyond period of fifteen days.

Die Casting Manufacturing Industry: Discount and discount period defined. Usual

A compilation of credit provisions in NRA industrial codes. Being a continuation of approved codes first presented in our January, February and April issues.

unfair practices. Regulation of quotations.

Earthenware Manufacturing Industry: Code Authority to prescribe for each Division maximum cash discount terms. Members to file with Code Authority price list and discount. Usual unfair trade practices. Maximum cash discount on certain products. Payment provisions governing delinquency, cancellation, returned goods, etc.

Elevator Manufacturing Industry (Division of Construction Industry): Usual unfair trade practices.

Fibre & Metal Work Clothing Button Mfg. Industry: Usual unfair trade practices.

Fibre Wallboard Industry: Detailed appendix covering trade practice, considerably amplifying usual trade practices.

Fishery Industry: Usual unfair trade practices. No free services or combination sales. Regulation of returns on containers. No free deals.

Fishing Tackle Industry (Amendment): Amplification of definite specifications of terms of sale and cash discounts.

Flag Manufacturing Industry: Usual unfair trade practices. Provision made to determine price cutting emergency as determined by Code Authority. Credit period of thirty days. Usual unfair trade practices. Open price listing.

Forged Tool Mfg. Industry (Division of Fabricated Metal Products Mfg. & Metal Finishing and Metal Coating Industry): No consignment except by permission of Code Authority.

Forged Tool Mfg. Industry (Division of Fabricated Metal Products Mfg. & Metal Finishing and Metal Coating Industry): Open price and term listing with Code Authority. No consignment except by permission of Code Authority.

Fresh Oyster Industry (Division of the Fishery Industry): No Freight allowance. Maximum credit terms period. No consignment.

Fresh Water Pearl Button Mfg. Industry: Usual unfair trade practice. Definite terms and discounts specified. Regulation of sampling.

Hack Saw Blade Mfg. Industry (Division of the Fabricated Metal Products Mfg. & Metal Finishing & Metal Coating Industry): Complete schedule unfair practices in substitution for fair trade practices of basic Code. Maximum terms and discounts specified. Contracts regulated. Regulation of sale of seconds and samples.

Hide & Leather Working Machine Industry: Usual unfair trade practices.

Horseshoe & Allied Products Mfg. Industry: Open price listing. Usual unfair trade practices.

Industrial Furnace Mfg. Industry: Usual unfair trade practices. Permission to sell below cost in case of distressed merchandise and in meeting price competition subject to approval of Code Authority.

Industrial Safety Equipment Industry and Industrial Safety Equipment Trade: Usual unfair trade practice. No consignment except as permitted by Code Authority. Maximum cash discount.. No sales below cost, as defined by Code Authority.

Insulation Board Industry: Complete appendix covering trade practice regulation. Six percent interest required on notes. Standard forms of quotation and contract. No consignment except as defined by Code Authority. Price and terms of sale published by member to be strictly adhered to.

Ladies' Handbag Industry: Usual unfair trade practices. Dates and standard terms of sale specified. Anticipation at the rate of 6% permitted. No returned goods, allowances beyond a period of seven days where seller has complied with agreement of sale. Disposal of distressed merchandise to be regulated by Code Authority.

Machine-Applied Staple & Stapling Machine Industry: Terms and prices to be filed with Code Authority. Usual unfair trade practices.

Machinery & Allied Products Industry: No credit provisions.

Mayonnaise Industry: Prices and terms to be filed with Code Authority. Usual unfair trade practices. No consignment.

Metal Lath Mfg. Industry: Open price listing. Complete appendix covering trade practices and regulation of contracts, combination of sales, etc.

Mica Industry: Divisional Code Authority to regulate trade practices in their respective areas. Maximum cash discounts specified and quantity discounts to be filed with Code Authority. Usual unfair trade practices.

Millinery Industry (Amendment): Article VIII basic code amended to cover maximum discount and discount period. Other amendments cover requirement to ship f.o.b. city of manufacture.

Motorcycle Manufacturing Industry: Usual unfair trade practices.

Narrow Fabrics Industry: Usual unfair trade practice. Members to file discount price schedule with Code Authority.

Newspaper Printing Press Industry: Proper price for delivery and installation. Regulation of trade-in allowances. Charge required for unusual services. No placing of machines on trial. Usual unfair trade practices.

Painting, Paperhanging & Decorating Industry (Division of Construction Industry): No credit provisions. (*Cont. on page* 59)

Are creditors' rights being forgotten?

by T. E. Reynolds, Secretary-Treasurer, St. Paul A. C. M.

The emblem—VIGILANTIA—has a significant meaning in these days of anti-everything that has to do with the protection of creditors. This nation can not exist; taxes can not be collected; people can not be employed, unless those engaged in business are relieved of a part of the burden of taxation and are permitted to make a profit.

During the past four years of financial difficulties, the burden of furnishing capital for the operation of the business of the sellers of merchandise has fallen largely upon the shoulders of the independent jobbers and manufacturer, and at every turn of the road the problem has been made more difficult by increased taxes and legislation that has been enacted in response to the demand of some group seeking an advantage.

If in the future we are to look back on the "twenties" as a period in which a large debt structure of unperformable contracts was built up, we shall also stand aghast at the record of hysteria that was written into law and practice as against the rights of creditors.

Two things above all lead to the financial debacle with which we have been wrestling during the past four years, viz. the increasing cost of municipal, state and federal government and the tremendous interest charges built up against the public and private debt. This heavy load of carrying charges could not stand even the slightest shrinkage in the income of the consuming public, and when the decrease in national income became a fact, there was not enough income to pay interest and taxes, to say nothing of leaving a spendible income for personal needs. Once liquidation was under way, nothing could stop it.

There is some hope that adequate steps have been taken to restore a part of our former consumer income by a forced increase of commodity prices, but a change of attitude of those in authority, that will bring some measure of protection to the creditor is essential, unless we are willing to wipe out the capital that was saved and put to work by the millions of careful, capable, thrifty citizens of this nation. In vain do we listen for voices raised in the Legislatures and in the halls of Congress in defense of the rights of honest, thrifty and society building citizens. A man said to me recently—"there are some states in which we could not sell merchandise, if we did not know that 95 percent of our customers were honest." And, this because the rights of creditors are being forgotten.

Every third home in America is said to have some kind of a capital investment, either in some venture of its own or an equity in some local or national industry. Stocks and (*Cont. on p.* 59)

Reunion

The St. Paul Association of Credit Men in March was host to former Presidents of the Association, and all but four of the living Presidents were able to be present. These men were the outstanding credit executives in that market from 1897 to 1934.

Seated in the front row—second from the right—is E. A. Young, the oldest living President of the National Association of Credit Men. At present, he is Assessor for the County of Ramsey in Minnesota. A short paragraph from the bulletin of the Saint Paul Association recently carried an interesting item about him declaring that "in 1894 C. B. MacLaren, T. L. Schurmeier, P. D. Ferguson, H. A. Boardman and E. A. Young met in Mr. Schurmeier's office for the purpose of organizing the St. Paul Association of Credit men." The organization of the Association, however, was not completed until 1897.

Here follow the names of the men in the above picture. Back row, left to right: C. H. Thomas, P. V. Keirstead, F. W. Stretch, H. E. Engstrom, M. W. Miller, T. W. Ekstrand, H. L. Cummings, G. I. Ashton, E. W. Budke, C. A. L. Johnson, W. R. Beardsley, T. E. Reynolds, P. J. Jarman.

In the front row left to right are:

L. T. Jones, George Sommers, A. B. Driscoll, Norman Setter, F. M. Collester, C. A. Young, A. C. Thompson.

N. A. C. M. pioneers

by J. H. TREGOE,
Past Executive Manager,
N. A. C. M., 1912-'27

Chapter Ten: The Agnostic Years

Business management as 1925 entered the calendar, showed marks of unnatural compression. A sales complex had been highly developed that would eventually waterlog the business craft and defeat its proper mission. Students of recent economic history would find it difficult to distinguish the causes antecedent to our financial and mental collapse, without realizing that evenness in the flow of commodities from producer to consumer rests upon a broadness of control—one that preserves an equality between the departments which constitute a profitably functioning business enterprise.

The highly developed sales complex that marked the period we are now reviewing, ruptured that moral control that must prevail in the human function of trading, or else conditions will finally become distorted and subnormal. The drive for distribution passed from protective to selfish stages. The waste of this idolatry ran into billions of dollars annually. It was a fascination that could not be dispelled. The primrose path had an ending somewhere, but that side of the picture was either doubted or discouraged.

In this sales spree, credit measurements were repressed . The relations of intelligent credit control to profitable merchandising were unconsidered. Business management sought constantly for devices that would increase sales, and not for safe receivables from which alone could profits be eventually derived. It was a peculiar period in our economic history. It was a distillation of the extravagance and the high-powered production that marked the immediate postwar years. It was a malformation of business administration that could only be straightened out by painful adjustment. Pressing out goods without proper credit discrimination, and mostly without even a superficial knowledge of credit chemistry, made buying so easy that defaults were encouraged, and devious minds could easily see short cuts to make money. The human situation showed weakness in its fibre. There seems available no better descriptive term of these conditions than moral agnosticism.

Selling goods on the partial payment plan became more widely popular. The plan appeared to offer new inducements to consumers. There seemed to be no end to its possibilities. It broke down sales resistance. In thousands of instances the wage earner who had fallen for the fascination of it, found his income so heavily mortgaged that necessities had to be neglected. In 1925 installment selling mounted so rapidly that its true extent could not be satisfactorily measured. Distributors seeing evident sales results from the easy payment plan were irritated by criticism. The buyer was pointed to as enjoying luxuries that he could not otherwise have

"California, here we come!"
39th Annual N. A. C. M. Convention and 4th Credit Congress of Industry
Los Angeles . . . June 11-15

enjoyed. Economists were retained to write treatises on the virtues of this easy method. It was a tide rising in our commerce that could easily have smothered us. The ease of selling in this partial payment fashion caught the eyes of producers in many lines which were not naturally adapted to such a sales method. Goods of trifling character were widely offered on the installment plan.

This particular outburst is one of the interesting episodes of the twenties. It aroused debates in many directions. Criticisms were bandied about but the plan persisted.

The National Association of Credit Men, quick to sense the dangers where looseness threatened, took up the cudgel early in the installment sales expansion. The dangers of going too far with this appeal to personal extravagance, and uneconomic credit uses were fearlessly emphasized. The courage and tenacity of the Association in matters involving credit integrity were displayed in this situation, even though it brought the executive manager into keen controversies with some large distributors, who themselves were association members. The Association's attitude and frank statements exercised a restraining influence. Installment selling was not allowed to get out of control and that could easily have happened had not danger signals been fixed by the Association.

The far flung membership of the National Association of Credit Men was grouped into more than 140 local organizations. There was an evident need for decentralized control. The economic developments and the credit problems pervading the nation at this period, demanded more intimate counsel and cooperation than the one office in New York City could possibly supply. The Pacific Coast district offered promises of development that nourishment from an office on the Atlantic coast could not bring out. The far reaching decision had been made in the previous year to create three divisions with proper boundaries, and an officer and manager in each division. The organization work as determined upon proceeded swiftly and was finished in 1925.

The Central division was first to take shape. An office commensurate with the task was arranged in Chicago. E. B. Moran, with thorough training for the responsibility, was made its manager. Generous assistance was received for the plan and the new office from J. F. O'Keefe, Secretary of the Chicago Association. The performance of the Central division office was never disappointing through its entire career.

The Eastern division was placed under the management of W. W. Orr, whose career with the National Association began in 1907. The publicity department had been Mr. Orr's sole activity previously, but the training and observation of nearly two decades fitted him excellently for the new task. He did not remain in charge of this office very long. The New York Association of Credit Men called him to be its secretary, a successor was found in F. S. Jefferies, who for many years had done splendid work as secretary of the San Francisco Association.

The Western division was the last to be organized. B. B. Tregoe, who had supervised the foreign credit department of the National Association, was selected for the management of the division and an office was placed in San Francisco. The response of the far western asso-

and traditions

ciations to this new arrangement became evident from the beginning. A real thrill seemed to pass through the entire division. After serving capably in the manager's position for several years, Mr. Tregoe moved to Detroit and he was succeeded by Owen S. Dibbern, whose leadership and organizing genius have brought the western division into recognized prominence. In every feature of its possibilities and responsibilities the Western division office and its two managers have had the generous assistance of Otis H. Walker who succeeded Mr. Jefferies in the San Francisco Association.

The manner in which the divisional offices functioned justified the decentralization idea. They aroused interest, solved problems, created enthusiasm, and were the National Association's fighting outposts.

Crimes against credit contracts continued to rise in number and audacity. The bad debt waste rose with each succeeding year. The Fire Insurance companies at this time were suffering heavy losses by self inflicted fire damages. Arson accounted for $167,000,000 in 1925. Credit crimes were costing commercial capital at least four hundred million dollars in 1925.

The Prosecution department of the National Association was inadequate in its money chest and facilities to drive back this rising tide of credit crime. A large fighting fund had been authorized by the Directors in 1924. Machinery for soliciting funds was splendidly put together, the campaign was at its crest in the early months of 1925. An objective was set of $1,750,000. Our commercial history does not record a more daring scheme for credit justice than the decision to fight crime in every nook and corner of the country. The need of such a movement and the broad scale on which the National Association determined to carry it out, electrified the careful business thinker. It was heartily endorsed by prominent members of the President's Cabinet. The general committee in charge of the campaign for funds had as its chairman Mr. W. H. Pouch of New York City, an interesting figure in Association circles, with qualities that fitted him admirably for the executive task.

The solicitation work was planned and directed by competent experts. The executive manager of the National Association and his entire staff gave unselfishly of their time. One million dollars was fixed as an objective of the first chapter of the campaign and at the convention of 1925 Mr. Pouch reported subscriptions that passed the million dollar mark by a margin of $42,000.00. The second chapter of the campaign fell a little short of its goal, but the fighting

The author of this series, which will be concluded with the July installment.

fund had been generously supported, and arranging for the prosecution machinery in the three divisional offices proceeded with thought and dispatch.

The Eastern division department was placed finally under the direction of a young attorney of excellent training, Maxwell S. Mattuck, and a government trained expert, Charles J. Scully. The Central division's department was placed in charge of John E. Byrne, a Chicago attorney with training in public justice work. The Western division department had for its directing genius, C. W. Hughes, who for many years had been in government service. Outposts were established in important centers, the department drew to its staff a body of highly trained investigators. It was an organization qualified in every way to carry on the great task of protecting credit justice.

From the very start of this protective movement, the credit criminal was clearly on the run and the tide of commercial crime receded. In a little more than two years, 1686 complaints were filed in the three divisions. Indictments numbered 860 with 306 convictions. The cases lost were very nominal in number. The recoveries of merchandise stolen and secreted by convicted debtors passed the million dollar mark, a sum several times larger than the entire cost of carrying on the work. These recoveries redounded solely to the advantage of creditors. The department did not participate in them at all. It was a remarkable episode in the National Association's history, one that plainly displayed its inherent powers to protect the sanctity of the credit relation.

The idea prevailed that the time was imminent for the National Association of Credit Men to hold a convention in the Nation's capital. The local Association in Washington was not able to assume exclusively the convention task, so the National Association assumed a sponsorship and placed for the first time a convention director at the service of the local association. The execution of all plans was left largely to committees organized within the local body. Mr. W. C. Hanson of Washington, was a leading figure in the convention arrangements. In every feature the preparations were splendid, the program was carried through in a delightful way. The sun during the first days of the convention tried its hardest to discourage the delegates, but with moist brows every one appeared to bear the heat happily and it was one of the National Association's most distinguished gatherings.

The convention speakers were men of prominence in Washington's official circle and of important places in the fields of religion, trade and finance. Meeting President Coolidge in the gardens of the White House was a social feature that will never be forgotten. Placing a wreath on the tomb of Washington at Mount Vernon with an address by General Mitchell of the Air Forces, and with a similar token on the tomb of the Unknown Soldier at Arlington with an address by General LeJuene, Commander of the Marine Forces, were events so impressive in their significance and solemnity that they stand without parallel in our convention annals.

Just before 1924 came to a close, Charles H. Woodworth, the first manager of the Adjustment Bureau Department, passed on after a severe illness. He was a young man of great promise and his death was *(Cont. on p. 38)*

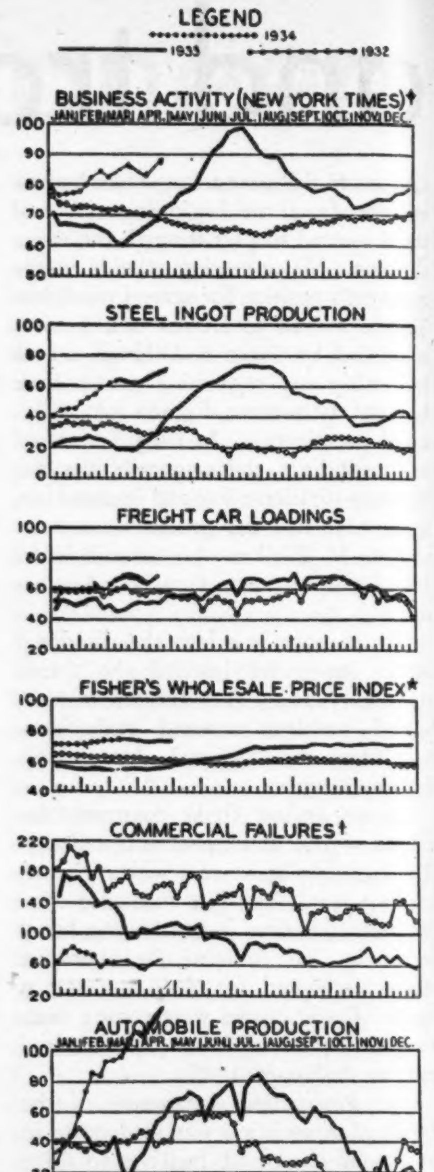
The business thermometer:

GENERAL INDICES: The first half of May brought another sharp advance in the index of commodity prices. The most important of these gains came in grain, foods and textiles with metals holding about firm. The advance in grains during the second week in May was also reflected in the food index and textiles reflected an increase in the price of raw cotton. Beef, pork and lard prices also figured in the rise in the food index. Steel ingot operations continued to advance to close to 60 per-cent of capacity. Carloading, which had shown a gain during the last two weeks in April also moved up during the first two May weeks. Detroit, Chicago and the Pacific Coast were the only areas to show gains in retail trade. However the big mail order houses and chains of stores issued encouraging reports for the first three months of 1934, Montgomery Ward & Co. indicating a gain of 47.3 per-cent over sales for the first three months in '33.

STEEL INDUSTRY: Figures issued by the American Iron and Steel Institute on April ingot production show an average rate for that month of 54.19 of capacity, which is the highest monthly average for production since the spurt in July of 1933. The average rate of steel operations also continued to mount to almost 60 per-cent of capacity. A reflection in the iron and steel industry is seen in the report from Saginaw, Michigan, where the gray iron foundry of the Chevrolet Motor company reported the largest day's pouring of 2,152 tons, a new record for this, the largest gray iron foundry in the states. There was one factor, however, in the steel and iron industry that was not quite so encouraging. This was that production peak for the year is close at hand with little encouragement in sight on new business.

AUTOMOBILE TRADE: There seems to be a general truce in the labor contest in the motor industry. The threatened strike in the body plants of General Motors has passed for the present at least. The estimates for May of 400,000 units may be a bit high when the totals are finally tabulated, but Ford has announced a boost in his estimates and is being pressed for deliveries by his dealers. A very good index of the retail motor sales is found in Minnesota where orders placed with dealers during the first three months of this year show a gain of 60.8 over the same period last year. Another index of why this motor sales gain is shown in a big increase in new telephone contracts in the twin-city area, showing that families are again in funds and that close household economies are being forgotten.

SITUATION ON FARMS: Predictions by farm equipment makers for a 175-million-dollar year in 1934 show how increases in prices and general conditions are now affecting the farm belt. This prediction indicates a 45 per-cent pickup over last year.



Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Fair	Fair	N. Y.	Binghamton	Fair	Fair
Ariz.	Phoenix	Fair	Fair		Buffalo	Fair	Fair
Ark.	Little Rock	Good	Good		Elmira	Fair	Fair
Calif.	Los Angeles	Fair	Fair		Jamestown	Fair	Fair
	Oakland	Good	Good		New York	Good	Fair
	San Diego	Good	Good		Rochester	Fair	Fair
	San Francisco	Fair	Fair		Syracuse	Fair	Fair
Colo.	Denver	Fair	Fair	N. C.	Charlotte	Good	Good
	Pueblo	Fair	Fair	N. D.	Grand Forks	Fair	Fair
Conn.	Bridgeport	Fair	Fair	Ohio	Cincinnati	Fair	Good
	Hartford	Good	Fair		Columbus	Good	Good
	New Haven	Fair	Fair		Dayton	Fair	Fair
D. C.	Washington	Slow	Fair		Toledo	Slow	Slow
Fla.	Jacksonville	Slow	Fair		Youngstown	Good	Good
	Tampa	Fair	Slow	Okla.	Oklahoma City	Slow	Slow
Ga.	Atlanta	Fair	Fair		Tulsa	Slow	Fair
Ill.	Peoria	Fair	Fair	Ore.	Portland	Fair	Fair
	Springfield	Fair	Fair	Pa.	Allentown	Good	Fair
Ind.	Evansville	Fair	Fair		Altoona	Fair	Fair
	Ft. Wayne	Fair	Fair		Harrisburg	Fair	Fair
	Indianapolis	Good	Good		Johnstown	Slow	Fair
	South Bend	Fair	Fair		Pittsburgh	Fair	Fair
	Terre Haute	Fair	Fair	P. I.	Honolulu	Slow	Slow
Iowa	Burlington	Fair	Fair	R. I.	Providence	Fair	Fair
	Cedar Rapids	Good	Good	S. D.	Sioux Falls	Fair	Fair
	Davenport	Slow	Fair	Tenn.	Bristol	Fair	Fair
	Des Moines	Fair	Fair		Chattanooga	Good	Good
	Ottumwa	Fair	Fair		Knoxville	Fair	Fair
Kan.	Wichita	Fair	Fair		Memphis	Good	Good
Ky.	Lexington	Fair	Fair	Tex.	Austin	Fair	Fair
	Louisville	Fair	Fair		Dallas	Fair	Fair
La.	New Orleans	Fair	Fair		El Paso	Fair	Fair
	Shreveport	Fair	Fair		Ft. Worth	Fair	Fair
Md.	Baltimore	Good	Good		Houston	Good	Fair
Mass.	Boston	Fair	Fair		San Antonio	Slow	Slow
	Springfield	Slow	Fair		Waco	Slow	Slow
	Worcester	Fair	Fair	Utah	Salt Lake City	Fair	Fair
Mich.	Detroit	Fair	Fair	Va.	Lynchburg	Good	Good
	Flint	Fair	Fair		Richmond	Good	Good
	Grand Rapids	Fair	Fair	Wash.	Bellingham	Fair	Fair
	Jackson	Fair	Good		Seattle	Fair	Fair
Minn.	Duluth	Fair	Fair		Spokane	Slow	Fair
	Minneapolis	Fair	Fair		Tacoma	Fair	Fair
	St. Paul	Fair	Good	W. Va.	Bluefield	Good	Good
Mo.	Kansas City	Fair	Fair		Charlestown	Fair	Good
	St. Joseph	Fair	Fair		Clarksburg	Fair	Fair
	St. Louis	Fair	Fair		Parkersburg	Fair	Fair
Mont.	Billings	Fair	Fair		Wheeling	Fair	Fair
Nebr.	Omaha	Fair	Fair	Wis.	Fond du Lac	Slow	Fair
					Green Bay	Fair	Fair
N. J.	Newark	Fair	Fair		Milwaukee	Fair	Fair
N. Y.	Albany	Fair	Good		Oshkosh	Fair	Fair

Comments:

COLORADO: Denver reports some decline in last three weeks in Rocky Mountain region. Beet sugar legislation causing much confusion.

FLORIDA: Tampa writes business is slower. Citrus crop harvested. Tourists returning. Season better than last year. Jacksonville reports best season in years. Both collections and sales definitely better than last year.

IOWA: Davenport indicates marked improvement in retail trade. Factories taking on more men. Des Moines writes that sales are slower in last two weeks.

KENTUCKY: Textiles, cigarettes, hardware trades reported good in Louisville. Spring trade encouraging.

LOUISIANA: Shreveport writes: "As a whole, farming and industrial activities seem to be moving forward in a satisfactory way, and barring crop disaster, much better times are expected this fall."

MICHIGAN: Detroit sends word that collections are improving and that many are making great effort to pay up old bills. Retail stores report improvement in sales. Automotive lines hold stronger position.

MINNESOTA: Duluth reports good prospects for improvement in iron ore operations this year. Drouth prospect is deterrant factor on collections in St. Paul district.

MISSOURI: St. Joseph (*Cont. on p. 38*)

Summary

This month:

Collections:		Sales:	
Good	18	Good	20
Fair	72	Fair	75
Slow	12	Slow	7

Last month:

Collections:		Sales:	
Good	19	Good	27
Fair	62	Fair	62
Slow	13	Slow	5

"This month's collection letter"

By J. SPRENGELER, Yahr-Lange,, Inc., Milwaukee, Wis.

Dear Sir:

We pride no feature of our company more than our ability to grant extensions to retailers who may find themselves in a somewhat financially difficult condition and who are not able to meet their obligations when due. We believe any organization which is able and willing to accommodate its patrons through financially unfavorable periods should in turn be reimbursed as generously and as quickly as possible.

Sight must not be lost, however, of the fact that in order to maintain the best possible service and be enabled to handle only quality merchandise, we, as wholesalers, must collect in order to keep going. We have also been compelled to subtantially increase our liquor inventories which naturally represents quite a drastic outlay of cash.

If you will therefore please let us have a payment to cover the past due balance listed below or a partial payment, if you cannot absorb the entire amount at one time to be applied on account, rest assured it will be appreciated most highly.

PAST DUE $153.21

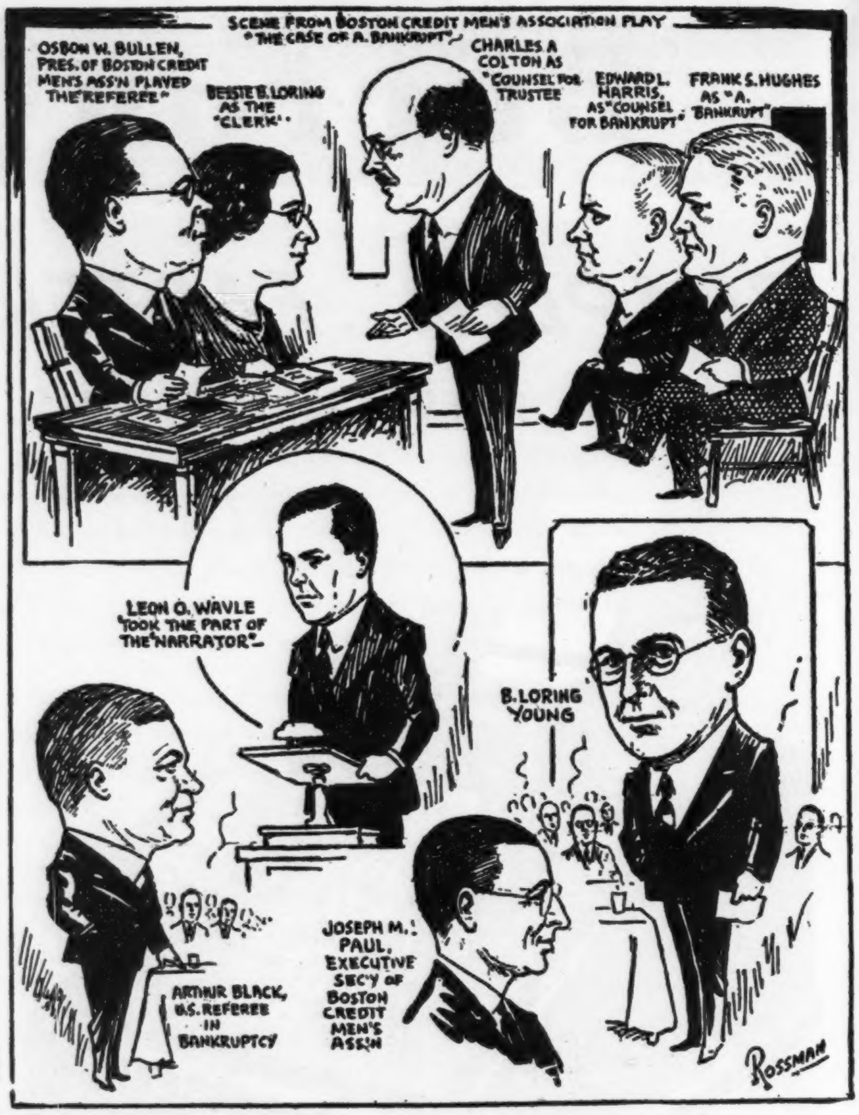
PS.: Self-addressed envelope enclosed for your prompt reply.

"I have been much elated over the specimen collection letter appearing in the April issue of your 'Credit and Financial Management,' gotten out by Mr. L. F. Gielish of the Bourk-Donaldson-Taylor, Inc., of Denver, Colorado," Mr. Sprengeler writes. "I believe this is the most effective letter among those appearing in your publications for the last year. While most of them were very cleverly gotten up, they all seemed to have a sales tone in them which seems to be an element most people are resenting.

"Sales correspondence, as we all know, has been notoriously overdone and while some results are still obtained through the type of sales letter which carries with it a snappy story or some other personal element that might attract attention, our experience has been that they are more or less useless when applied for collection purposes.

"It is our contention that in order to put anything across effectively pertaining to the collection of slow accounts, a sincere tone must be injected in such letters and specific reasons must be stated why the creditor should be reimbursed as rapidly as possible.

"The enclosed composition by the writer was circularized among 150 slow paying accounts and brought approximately six per cent. response in the way of partial payments."



Boston dramatics successful

The Boston Credit Men's Association deserve a round of applause for the very effective bankruptcy presentation which they presented at their April dinner meeting. Written by National Director Charles A. Colton, who is also First Vice-President of the Boston Credit Men's Association. "The Case of A. Bankrupt," a play in one act of six episodes, scored such a signal success that already two requests from neighboring associations have come to Boston for permission to enact the same play and there is a possibility that it may find its way into the Convention program at Los Angeles at some time between June 11-15. Rossman's cartoon above comes from the Boston Post and was drawn while the play was in action on Tuesday, April 10th. Here follows the complete program and all the credit lines in the best Hollywood fashion:

"THE CASE OF A. BANKRUPT"

A play in one act of six episodes.
Script by Charles A. Colton
Ist Vice President, Boston Credit Men's Association
Produced under the Management-Direction of
Osbon W. Bullen, President, Boston Credit Men's Association
Assisted by
Joseph M. Paul, Executive Manager, Boston Credit Men's Association,
and
Harry W. Meehan, Manager of the Estates Division of the
Boston Credit Men's Association
Transcribed by the Misses Lane

TIME—The present

PLACE—A Bankruptcy Hearing

—CAST OF CHARACTERS—

Narrator	Leon O. Wavle, S. S. Pierce Co.
Referee	Osbon W. Bullen, Lever Brothers Co.
Clerk	Bessie B. Loring, Boston Woven Hose and Rubber Co.
Trustee	Ernest S. Rhind, Cherry Burrell Corp.
Counsel for Trustee	Charles A. Colton, The Boston Transcript
A. Bankrupt	Frank S. Hughes, Federal Reserve Bank
Counsel for Bankrupt	Edward L. Harris, Swift & Co.
Son-in-Law	James A. Mawn, Gulf Refining Co.
Brother-in-Law	Kenneth G. MacKay, Gulf Refining Co.
A Creditor	Walter E. Richards, Armour & Co.
" "	Harry L. Hazen, Hewes & Potter, Inc.
" "	Harry H. Humphrey, Brown Durrell Co.

Stage Manager and Property Man, Cornelius A. McAuliffe, Lewis Mears Co.

Statement of ASSETS and LIABILITIES as scheduled by A. Bankrupt.

ASSETS		*LIABILITIES*	
Cash	$ 87.50	Accounts Payable	$28,175.00
Accts. Rec. Est.	3,900.00	Taxes	375.40
Mdse. Inv. Est.	14,500.00	Wages	263.50
Furniture & Fixtures	450.00	Chattel Mortgage on Merchandise and Fixtures	1,450.00
Store Building	6,000.00	Mortgage on Store Bldg.	5,200.00
TOTAL ASSETS	$24,937.50	TOTAL LIABILITIES	$35,463.90

OSBON W. BULLEN, PRESIDENT, PRESIDING

Office employees best credit risks

Office employees are given the best credit rating among 24 occupational groups covered in a study made at the University of Illinois.

For this study estimates were obtained, it is stated, from a large number of credit men as to the relative credit worthiness of people of different occupations. These estimates were given numerical valuations and the results published in the form of a list in which the occupations having the highest credit ratings were placed at the top and the lowest at the bottom. These figures were converted by N.A.F.C. News so as to put them on a percentage basis, so that 100 per cent would represent the highest possible credit rating. The results are embodied in the following table, published in "Domestic Commerce," by the Department of Commerce.

Occupations	Credit Rating	Occupations	Credit Rating
Office Employees	92.2	Auto Mechanics	60.0
Retail Grocers	89.6	Janitors	60.0
Chain Store Managers	89.2	Farmers (tenants)	59.2
Other Retailers	89.0	Brickmasons	59.0
School Teachers	86.4	Fire & Policemen	58.2
Railroad Trainmen	85.8	Railroad Trackmen	57.8
Railroad Shopmen	85.2	Coal Miners	57.6
Retail Salespeople	83.2	College Students	55.6
Dentists	82.2	Domestic Servants	55.2
Doctors	80.4	Carpenters	52.6
Nurses	71.2	Hotel Employees	48.2
Farmers (owners)	70.8	Auto Salesmen	47.0
Factory Workers (men)	70.0	Common Laborers	46.0
Traveling Salesmen	68.8	Restaurant Employees	44.6
Filling Station Employees	63.0	Barbers	42.8
Factory Workers (women)	61.0	Truck & Bus Drivers	42.6
Lawyers	60.8	Painters & Decorators	38.2

Johnson's new eagle, for the use of business firms complying with specific industry codes, supplants last year's blanket insignia.

Los Angeles sends credit leader to boost convention

A. A. Normandin, of Normandin Bros. Co., manufacturers of men's, women's and children's wear, president of the Los Angeles Credit Men's Association, arrived in New York on May 9 on a swing around the country to the most important cities to extend in person an invitation to the credit men and women of the nation to attend the 39th annual convention of the National Association of Credit Men in the Biltmore Hotel there during the week of June 11.

Convention plans are rapidly taking shape, and with the arrival of Brace Bennitt, of the National Association of Credit Men's staff, who is convention director again this year, in Los Angeles recently, the final business program is expected to be completed without delay.

The countrywide trip of Mr. Normandin as a booster for the 1934 credit convention is an indication that Los Angeles intends to make good its boast when it was awarded the honor of playing host at Milwaukee last year, that it was in favor of "bigger and better conventions."

Knows Her Grammatomy

A little school girl offered the following composition on anatomy:

"Anatomy is the human body. It is divided into three separate parts, the haid, the chest and the stummick. The haid holds the skull and brains, if there is any, the chest holds the liver, and the stummick holds the vowels, which are a, e, i, o, and u, and sometimes w and y."—The Reading Hospital.

NOMINATIONS COMMITTEE

Los Angeles—June 11th to 15th, 1934

PAST PRESIDENTS

E. Don Ross, Irwin-Hodson Company, Portland, Ore.
Frank D. Rock, Armour & Company, San Francisco, Calif.
E. S. Elkus, The Elkus Company, San Francisco, Calif.
W. F. H. Koelsch, Chase National Bank, New York
F. M. McComas, McComas Dry Goods, Los Angeles, Calif.

FROM THE DISTRICTS

#1 A. A. Wainwright, Gorham Company, Providence, R. I.
#2 E. F. Addis, Meinhard Greef Company, 51 Madison Ave., N. Y.
#3 J. E. Jones, Central Iron & Steel Company, Harrisburg, Pa.
#4 U. W. Hird, Plain Dealer Pub. Co., Cleveland, Ohio.
#5 W. Miller Bennett, Stokely Bros. & Co., Indianapolis, Ind.
#6 E. G. Lilly, Citizens National Bank of Waco, Waco, Texas.
#7 Edw. Pilsbury, B. Rosenberg & Sons, New Orleans, La.
#8 Edw. T. Gaither, Haskins Bros. Co., Omaha, Neb.
#9 H. C. Morey, Stearns-Roger Mfg. Co., Denver, Col.
#10 E. L. Blaine, Jr., Peoples Bank & Trust Co., Seattle, Wash.

MEMBERS AT LARGE

H. E. Engstrom, G. Sommers & Co., St. Paul, Minn.
G. M. Nichols, Salt Lake Hardware Co., Salt Lake City, Utah.
Tobias Kotzin, A-1 Manufacturing Co., Los Angeles, Calif.
C. Callaway, Jr., Crystal Springs Bleachery, Chickamauga, Ga.
H. W. Hardy, Chas M. Sledd Mercantile Co., Oklahoma City, Okla.
J. E. Kohler, Amer. Fabrics Co., Bridgeport, Conn.
Clark Noble, Bessire & Company, Columbus, Ohio.
W. C. Grimmer, Joannes Brothers, Green Bay, Wisc.
Galen Nielsen, Standard Oil Company, St. Joseph, Mo.
George M. Groves, Groves Shoe Company, Chicago, Ill.

Convention highlights

(*Cont. from page* 16) 10—Baltimore and Atlanta likewise—Chattanooga—Knoxville—Indianapolis and many others have already registered—Louisville as usual will have a good delegation, and we could go on indefinitely. The Westerners, of course, will be here on hand in a body just as they were six years ago in Seattle. It is expected that 85 or 90—that is 75%—of our Associations will be represented at our Convention.

Put into immediate action the Convention Slogan, "California here we come!" And remember our purpose: "Constructive credit for real recovery."

Next!!!

An advertisement in the columns of an Indian paper:

"Mahomedsman, hair-cutter and clean shaver. Gentlemen's throats cut with very sharp razors, with great care and skill. No irritating feeling afterward. A trial solicited."—Buffalo Express.

Traditions and pioneers

(*Cont. from page* 31) widely regretted. After looking over the country, E. Paul Phillips of St. Louis, was selected to succeed Mr. Woodworth and he sprung to the task with an earnestness and an ability that gave progress to the department. This was evident by the report offered to the Washington Convention and for 76 Adjustment Bureaus operated by local Associations.

Dr. Frank A. Fall had succeeded Dr. White as Director of the Educational and Research departments. In the educational field the student enrollments were reported to the Washington convention as 781, embraced in 17 local chapters and in the correspondence courses.

A membership loss of 778 was reported by the department manager. The roster of the National Association now stood at 29,325, with the net addition of 1 local association. The treasurer reported a balanced budget with a surplus that brought the reserve to a large figure. The declarations of the convention were adapted to the credit and economic needs of the time and were unusually strong in their presentations. The organization of three divisions suggested naturally a change in the Constitution that would permit the election of a vice-president for each division rather than the old method of electing first and second vice-presidents. The new idea was inaugurated at the Washington convention. A. J. Peoples of Detroit, first vice-president, found it impossible to assume further official responsibilities, and the second vice-president, R. T. Baden of Baltimore, an ardent worker of many years in association circles, was elected president. W. H. Pouch of New York became vice-president of the eastern Division; George J. Gruen of Cincinnati, vice-president for the central Division; F. D. Rock of San Francisco, vice-president for the western Division.

Collection—sales survey

(*Cont. from page* 33) indicates falling off in sales which also brought about effect on collections during last three weeks.

NEW JERSEY: Newark writes: "Steady improvement in all lines except those related to building construction. Reports on collections still spotty.

NEW YORK: Binghamton report shows but one reporting Slow on collections and about 40 per cent registering Good for both collections and sales. Rochester indicates substantial improvement in several lines. Syracuse says some lines are showing more than seasonal improvement.

NORTH CAROLINA: The Piedmont section of the Carolinas as reported by Charlotte indicates gradual improvement in both Sales and Collections.

OHIO: Cincinnati reports progress almost to the point of Good on both sales and collections. Dayton area has benefited by large increases in local industrial employment. Toledo writes of gains in some lines of sales but that collections still are slow. Youngstown benefits by gains in steel trade.

OKLAHOMA: Oklahoma City indicates feeling of unrest still evident but some gain over last year.

PENNSYLVANIA: Johnstown says benefit in trade has not yet been reflected in improvement in collections. Pitts-

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burgh reports considerable improvement over same month last year in sales and gains in collections in some lines. Harrisburg reports, "better." Allentown points to increased use of electric power as indicative of business gain.

PHILIPPINE ISLANDS: Honolulu sends word from across the Pacific that collections are very difficult but that sales are showing some improvement.

RHODE ISLAND: Providence hints that operation of some codes has had slowing effect upon some lines of trade.

SOUTH DAKOTA: Grand Forks fears for wheat crop, present indications pointing to but half a crop in that state.

Association personnel changes announced

Mr. T. E. McCallion, formerly Secretary-Manager of the Rochester Association, is now Manager of the Service Corporation activities in Philadelphia. Mr. Samuel Ardron, Jr., continues as Secretary of the Association there.

Mr. McCallion's successor in Rochester is Mr. Herbert T. Haidt, who has had extensive business experience and who has for the past few years been Assistant Manager of the Retail Credit Bureau in Rochester.

Mr. Ralph Johns, who has been Secretary-Manager of the Kalamazoo Association, is now serving as Assistant Manager of the Service Corporation of the Cincinnati unit.

Mr. Johns' successor in Kalamazoo is Mr. George Martin, who has been active for many years in the Kalamazoo Association and who has served as President of that Association.

Mr. Arthur Speers is serving as Acting Secretary of the Syracuse Association since the resignation of Stanley Barker, who has accepted another position in Syracuse. Mr. Speers has been connected with the Service Corporation activities in Syracuse and will also continue in that connection. Mr. Ernest Stauber is serving as Acting Manager of the Service Corporation in the Syracuse office, in place of Donald S. Ball, who has resigned. Mr. Stauber has been in charge of the collection and adjustment activities of the Service Corporation there, and will continue to function in that capacity.

Oh, Doctor

"Are you going to that lecture on the heart, the lungs, the liver, the kidneys and the gall bladder?"

"No, I'm tired of those organ recitals."

Report covering activities of the FRAUD PREVENTION DEPARTMENT for the fiscal year ending on April 30, 1934.

Accepted cases	23
Investigations handled but not warranting prosecution	70
Trials lost	6
Indictments	61
Convictions	84

Report of activities since June 1st, 1925 to April 30, 1934.

Accepted cases	4036
Investigations handled but not warranting prosecution	2949
Trials lost	131
Indictments	2754
Convictions	1487
Estimated recoveries for estates	$1,870,644.00

Paging the new books

Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

ON OUR WAY. By President Franklin D. Roosevelt. The John Day Company, New York. $2.50.

Perhaps no President in recent decades has had more voluntary interpreters of administration policies than has Franklin Delano Roosevelt. This may be a blessing or a curse. It is important in this connection that the nation's chief executive has in his new book, "On Our Way," set forth his own ideas about the "New Deal" in government. In the foreword, Mr. Roosevelt sets forth these declarations as the reason for giving his book to the public: "This book, without argument and without extended explanation, seeks to set forth simply the many significant events of a very busy year. * * * This book describes the nature and the purpose of the many factors that were necessary to the working out of a national plan of improvement."

Whether we agree with all of Mr. Roosevelt's policies, we must look upon "On Our Way" as a book of great historical significance. For in it we will find a chronicle of the many events which stamp the first year of the Franklin D. Roosevelt administration as one of the crisis epochs—who can say that it is not *the* crisis epoch?—of the United States of America.

Mr. Roosevelt's chronicle begins with that memorable day following his inauguration when he issued that historical document which closed every bank. From this point, on throughout the eventful year, each big project is described and in most cases the official proclamation covering each event is set forth.

Mr. Roosevelt's book is very interesting as a history. But it is its authoritative narration from the White House view-point that makes "On Our Way" a book of first importance to the person interested in the "New Deal" chapter of American History.

—R. G. Tobin

THE NEW DEALERS. By the Unofficial Observer. Simon and Schuster, New York.

With all the breath-taking sparkle and gusto of the "New Deal" in its formative days of a year ago, "The New Dealers" present the story of the men who have been carrying on the policies inaugurated in the first year following the banking holiday and the inauguration of Mr. Roosevelt.

The past twelve months have been such an eventful period that the events of a year ago have the smack of history rather than something that was contemporary only yesterday. And "the Unofficial Observer" as the writer (or writers?) of the book prefers to be called, presents the fascinating inside story of personalties who have appeared continuously in the news. Here one learns as much, perhaps more, of the way the NRA developed, by description and analysis of the men who developed it as one could by following step by step the various administrative acts that have been part of the program.

In the President's book "On Our Way," which is also reviewed on this page, we have the story of the man at the top. With the exception of the first chapter, which is devoted to the President and his background, "The New Dealers" tells about the men who have been doing the work that was outlined or implied in the President's various messages to Congress and over the radio.

This book deserves to be popular because it continues the excellent series of "low-down" books that were begun several years ago in such as the "Mirrors of Washington" and the "Washington Merry-Go-Round." It is readily readable, instructive, intelligent, objective, yet penetrating. It seems hardly possible that anyone interested in the developments in Washington will want to forego the pleasurable necessity of reading this work.

—Paul Haase.

TOMORROW'S MONEY. By Frank A. Vanderlip. Reynal & Hitchcock, New York. $2.00.

A reviewer of this book, writing in the *New York Times*, opened his review with a rather pointed edict that everyone who had anything to do with business or government should read TOMORROW'S MONEY as soon as possible. This seems to be good advice. There has been a lot of talk and a lot of writing about money—today's money. Mr. Vanderlip writes about a plan for stabilizing our money—tomorrow's money. And we must respect an opinion when expressed by a man like Mr. Vanderlip. Back in the '90's he was Financial Editor of the *Chicago Tribune*. He was called to Washington in the McKinley administration for an assignment in the Treasury. For ten years he was president of one of the nation's leading banks. He retired from business activity several years ago, so his declarations have the added power of one who has vast experience with practical operations yet has made his observations, as set out in his new book, from a situation where he has no special interest to advance.

Mr. Vanderlip proposes, as a safeguard for tomorrow's money, a Federal Monetary Authority. Of this plan he writes: " I propose the organization of

a Federal Momentary Authority, which would be an arm of the government, just as the United States Treasury is an arm of the government. * * * Such an authority would take over all gold coin from the Treasury. * * * It would pay into the Treasury its bank note paper money having full legal tender qualities. * * * The Monetary Authority would exercise one function with an all important bearing on the question of gold liquidity."

The Monetary Authority, Mr. Vanderlip feels, would create a "free gold market" which would facilitate international trade. He points out many reasons why the old method of gold coinage was at fault and why he believes his plan will prove more elastic and much safer from both a domestic and an international aspect. He traces his plan through leading channels such as Federal Reserve, banking system and security markets.

We may not agree with all of Mr. Vanderlip's ideas. But if we read his book we will gain a new light on some of the hidden mysteries surrounding this important subject of money.

—R. G. T.

FALSE FINANCIAL STATEMENTS. By Arthur E. Fixel. Mather Bender & Co., Albany, N. Y. $8.50.

The author, in this second and revised edition of his book on False Financial Statements, covers a subject of great importance to every credit man who uses these documents as a part of his credit information. Examples are given of the various forms used by corporations with the standard financial statement forms sold by the National Association of Credit Men given first place in this presentation. The book is divided into chapters dealing with such important subjects as What Constitutes Fraud, Concealment of Material Facts, Impeaching Facts, Creditor's Actions, False Statements in Bankruptcy Proceedings, Reclamation of Goods, Fraudulent Use of the Mails. Two added sections give statutes of the states on false statements, and court forms to be used in prosecution of cases involving these cases. The book is replete with legal decisions bearing upon the various points brought out and could well be used as a text book in a lawyer's library as well as a handbook for use by the credit executive.

—R. G. T.

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Answers to credit questions

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

In keeping with the policy of this department to secure the opinions of credit men who are prominent in their profession, we asked ten outstanding credit men to answer the following question, which was submitted recently:

"The terms on which we sell are 2/10/60 in accordance with which the discount period on all charges expires 70 days from date of invoice. We also allow, in accordance with the Code of Fair Practice of the Wool Manufacturers Group 6% anticipation from date of payment to due date. A few days ago we received a check from a good customer of ours. The greater part of the charges covered by this settlement were 2 to 3 weeks overdue in accordance with our terms. The customer deducted 2% discount in making the remittance and then added 6% interest on the charges for 19 days. We refused to allow the full amount of discount although we gave them credit for anticipation on some small charges which were not yet due. Our policy in doing this is one which we have always followed in such matters, namely, that we allow this cash discount for payment by a specified date and if the payment is not made accordingly the discount is automatically forfeited.

"We have just received a reply from them (printed below) and as they are an excellent customer of ours and as we have a high regard for them, we would appreciate your opinion of the stand which they have taken in this matter, particularly as regards the forfeiture of the entire amount of cash discount if payment is not made strictly in accordance with the terms on which merchandise is sold."

"We have read yours of —— with very great interest and wish to take respectful but definite exception to your contention about the forfeiture of the discount on our recent payment.

"The writer has made it a matter of personal investigation and finds that the customary procedure of manufacturers in pricing their line is to start with the cost of raw material, add cost of manufacture, add administrative and selling expense, add profit margin, and add discount. I assume that this is your method. In this event discount is included in the price and belongs to the purchaser.

"To put it another way let us assume that you quote us a blanket at $6.00. It is the writer's definite belief that what you are really doing is quoting us a blanket at $5.88 plus a 12¢ discount. I feel very sure that if discounts were not a matter of trade practice and all purchases were net, your price to us for the above mentioned blanket would be $5.88 net.

"In the unfortunate event that a bill runs past due I feel that the purchaser is entirely justified in keeping what belongs to him, paying for the goods net and adding interest for the time from maturity to payment.

"If your discount were at the interest rate of 6% per annum; namely, Net/10/60 extra, 1/10/net 70, or a half of this discount for forty days, I would then say that you were offering regular loan discount terms for the sake of inviting payment before maturity. Where, on the other hand, your discounts computed on an annual basis amount to fully 18% or 20% it is quite unthinkable that these are not added to the price of your goods and in such case belong, it seems to me, as much to the retailer as the goods themselves.

"For the reasons enumerated above we respectfully request that you withdraw your balance of $20.80 against us."

The question was patently one arising in the textile industry, so we asked the opinions of ten men, prominent in that field. All very kindly replied, and here are some of the suggestions received:

"It is against the general practice of the trade to allow discount, which is a premium for prompt payment and bears no relation to interest, and allow customer to pay interest for time beyond the discount date. So far as we are concerned, we positively do not allow our customers to settle with us in that manner."

"First we must determine whether this is a cash or trade discount. If the former, the purchaser must meet the terms of sale in order to earn the discount. If the latter, it should be so indicated upon all terms of sale. Here we appear to have a cash discount which is in the form of a premium paid for prompt payment and for the use of the money on the part of the supplier at an earlier date than he would have it if no inducement were offered for early payment.

"The gentleman who objects to having his discount disallowed when he did not remit in due time is not using an analogous situation when he purports to build up the cost of a blanket that is sold at a net price of $5.88. He might as well say that if the manufacturer bought his raw material at a lower price than he has it figured in his cost, that he should furnish the blanket to the purchaser at the lower price. Why should any element of cost be allocated, to the purchaser when the supplier has been able to effect economies in the manufacture of same, or when the purchaser has failed to live up to his terms of sale? Cash discounts should be earned, and if not earned, the gross amount of the bill is due you and payable, with an interest charge on the gross amount of the bill for failure to pay upon maturity."

"No discount should be allowed unless invoice is paid at or before maturity date. It has become a trade custom, however, that this procedure be limited to such invoices as are billed on optional terms. To illustrate: Invoice A. is billed on terms 2/10/60 making maturity date 70 days from date of invoice. Invoice is paid by customer 30 days after maturity date and customer deducts the 2% discount and adds interest at 6% per annum for the additional 30 days time taken. Such remittance would be commonly accepted in the trade. On the other hand, invoice B. is billed on terms of 2/10 or net 60. Unless such invoice is paid within 10 days from date of invoice the 2% discount is not allowed. If customer should pay such invoice in say 30 days, customer would not be entitled to deduct the discount, but would be entitled to deduct interest at the rate of 6% per annum for 30 days.

"Unless optional terms are quoted, it has become the custom of the trade to consider the discount as a *trade* discount and not a *cash* discount. In the event that your inquirer wishes to eliminate the deduction of discount on past due payments, I might suggest for his consideration that he bill his goods upon terms of 2/10/60 or net 71 days."

"The two letters enclosed with yours of March 1st have had my careful consideration. The subject of trade discount has always been much discussed. According to my best recollection the law says that discounts are forfeited if payment is not made on the date stipulated, but not being a lawyer, I do not like to depend entirely upon the legal aspect of the question.

"There is no doubt, however, that terms of 2% 10/60 mean that the seller agrees to give the purchaser 70 days in which to pay for the purchase and provided that payment is made within these 70 days the purchaser should be allowed to deduct 2% discount. If the purchaser elects or cannot make payment within that time no such discount is to be granted to him. The seller in making this arrangement counts on receiving his money within the time specified and undoubtedly has made his own financial arrangements accordingly. If the money should not be received at that time it is quite conceivable that he must make further financial arrangements of his own to carry the customer beyond the time originally contemplated, which may very well put an additional financial burden upon him, to obtain the necessary funds.

"If payment is made at maturity the seller naturally can use these funds for his next transaction and assumedly make a profit on such transactions. If he, however, does not have his funds returned he cannot enter into any further transactions at a profit; which profit usually is greater in a business transaction than simple interest at 6% per annum. It is, therefore, only fair that the purchaser who prevents the seller from making his usual profit should pay an adequate penalty.

"The argument that the cash discount is originally added to the price appears to be irrelevant as any overhead costs naturally have to be added to the price at which merchandise is sold and any other reductions in overhead which may occur between the time of sale and maturity could just as well be used as an argument to reduce the original price of sale."

"Our position in the matter is that discount is a matter of price and that the customary procedure is to deduct discount and add interest for any extra time taken. In other words the penalty for not being able to pay an invoice on time is the charging of interest at the rate of 6% per annum for the extra time taken. The reward for anticipating is the allowing of interest to the customer for the anticipated period which in turn eliminates the discount as an allowance for prompt payment and makes it a matter of price. The above refers only to a situation such as the one presented where the terms allow no option to the customer."

"I have read the correspondence and agree with your member that if the account did not pay its bill within the time allowed, that they automatically forfeited the cash discount privilege.

"This is customary in the blanket trade and a different procedure is one of the abuses that has crept into the trade."

"As I view this case, the terms 2/10/60X do not imply the fact that remittance ten-

dered shortly after maturity date, will cause the buyer to lose his discount. If the seller wishes it understood that the buyer forfeits the discount of 2% by paying the invoice after maturity, it is my humble opinion that the terms should read 2/10/60X net 71 days, and in all fairness to buyer and seller I think the buyer has shown good faith by adding interest at the rate of 6% per annum for the additional time taken in making remittance. Of course, I do not believe that a buyer is entitled to 2% discount in the event that he holds the invoice overdue beyond a reasonable length of time, but in the above case, I do not look upon 19 days as excessive slowness."

"We have always considered discount as part of the terms and as it is a cash discount given for prompt payment it is always understood, under the law, if the account is not paid promptly in 70 days, where terms at 2% 10 and 60 days, that on the 71st day the discount is forfeited and we can claim one day's interest. However, this has not been the custom in the trade.

"Discounts are lost, if the terms are 2% 10 and 60 days, 1% for the first 20 days and the other per cent 60 days from the dating; after that interest has to be added at the rate of 6% per annum."

"A discount is an important premium to be earned by the customer if payment is made within the specified terms of sale, and we have held steadfastly to this theory. We have similar problems to the one you present to us and in all cases we refuse to allow the discount."

"We do not at any time permit our customers to run overdue without our consent, allowing them the discount plus the interest. We feel that at no time would we be in a position to finance our own business if we were to permit this. To us and to your member the discount is given as a bonus for prompt payment but there is no concern in the world—no matter how large—that can sell on specified terms and accept their money at the convenience of all of their customers. This inducement of a bonus for prompt payment in our opinion should be strictly adhered to. All bills due on certain dates should be paid on those dates with rare exceptions, and if they are not paying promptly, as a rule we ask them to pay us on a net basis as of the due date plus the interest for the overdue time, and where we have felt that we were imposed upon and sued, we have been upheld in this respect."

The Accommodating Conductor

A woman got on a trolley-car and finding that she had no change, handed the conductor a $10 bill. "I'm sorry," she said, "but I haven't a nickel."

"Don't worry, lady," said the conductor, "You'll have just 199 of 'em in a minute."—Medley.

Oh, Oh, Marjorie!

Lost—A lead pencil by Marjorie Weats, blonde, five foot five, 120 pounds, blue eyes, good dancer. Finder please call Shawnee 9998 between the hours of seven and nine P. M.

—The Recorder.

Handling checks on closed banks

by JOHN J. HAYES, Westinghouse Electric and Manufacturing Company, Seattle, Washington.

The first thing for the alert credit man to do on a check which does not clear for any reason is to notify the customer to the effect that his account is being charged back for the amount involved and that you are holding him legally and morally responsible for payment of the obligation. Subsequent action depends upon the circumstances in each case and the responsibility of the firm or person with whom you are dealing.

A customer who suddenly finds his working capital or surplus funds tied up in a closed banking institution is in a most unfortunate position. If he has tendered a check on such closed institutions in payment of his accounts it would seem policy to hold the checks temporarily not as payment in full of the account but subject to its payment within a reasonable time.

If the bank on which the checks are drawn has closed its doors permanently or for an indefinite period it is proper to return checks to customer and arrange for a reasonable extension on the existing account. A spirit of forbearance should be shown by the creditor in deserving cases. Either your customer's business must suffer, which in turn will cause your own business to suffer or his creditors must show a cooperative spirit and lend a hand pending such time as funds are available or until the business can progress to a point where surplus or working funds can again be accumulated to carry on the necessary every day financing of the business.

To what extent assistance should be rendered depends largely on the value of the account in the past, the responsibility and capability of the management and the future prospects of the company. These points should be carefully analyzed and acted upon in accordance with the merits of each case.

A credit man should not obligate his house to assist a distressed customer if it is evident a loss is inevitable. After all, the first consideration is to your own firm. However, if a customer has been a valued account in the past, has always taken care of its obligations in a satisfactory manner, and its management is in good hands, it is reasonable to assume that such a customer is entitled to an extension on his present account and additional credit granted commensurate with his future ability to pay.

Such assistance, diplomatically and wisely handled, not infrequently results in the creation of a valued account and more friendly relations.

A customer who tenders a check for payment of his account against funds at a bank that are tied-up for other reasons such as garnishment or seizure should not be given the same consideration as a customer whose funds are frozen for reasons entirely beyond his control. There is usually some reason for garnishment or seizure for which the customer is in some measure responsible.

It behooves the credit man, therefore, to check carefully into situations of this nature and thoroughly satisfy himself that his customer is in the right. If he is, assistance in the way of a short extension or a definite method of payment for liquidating the balance can usually be arranged. Always bear in mind, however, that the customer is the life blood of any firm and a credit man with a clear vision should at all times render aid and assistance in whatever degree is consistent with good business ethics. On the other hand, if the customer is guilty of sharp practices or unbusinesslike tactics the sooner you close out the account the better it will be for all concerned as the net result from such a class of customers is usually written in red ink.

Summing up, therefore, on this question of returned checks, the principal points to bear in mind are as follows:

1. Know your legal rights and act accordingly.
2. Know your customers, particularly, their credit and moral responsibilities.
3. Assemble all of the facts in each case and act promptly in a firm, diplomatic and fair manner.

And now we come to the second question, "Should a delinquent customer be placed on a C. O. D. basis, or requested to pay in advance?"

The delinquent customer, why do we have them? There are many and varied reasons why an account becomes past due, some are justified but many are not and it is the problem of the credit man to separate wheat from the chaff. An under-nourished customer, lack of finances and working capital is probably the greatest offender causing a delinquency of an account.

The analytical mind of the credit man must again be set to work to determine the future possibilities of such a customer. Is his illness temporary or chronic? Is his future outlook such that with a little doctoring and nursing it would enable him to build up a surplus permitting him to discount his bills and place him on the desirable list of accounts. If so, some temporary form of assistance should be rendered.

It must be remembered, however, that a manufacturer or wholesaler is not in the banking or financing business and only such business as shows promise should be assisted, and then only over a temporary period. If a customer is consistently delinquent never seeming to show improvement, there must be some deeper reasons which cause their working capital to remain in a stagnant or dormant condition. Is the management capable? Are they getting their share of available business in their line of endeavor? If not such accounts should be held strictly to regular terms and failure to pay on this basis should automatically place them on a C.O.D. basis.

The question of whether a customer in this condition should pay in advance depends largely on the integrity and honesty of the individuals with whom you are dealing. Failure to lift C.O.D. shipments promptly should place the customer in the "pay in advance class."

The chief duty of the credit man is to see that payment is received on every sale. This may be accomplished by various methods. All customers should receive the same fair consideration and assistance rendered to whatever extent they may deserve.

Insist at all times upon prompt payment of your accounts on the basis of your standard terms. Deviate only from

this course in the most deserving cases when consistent with the fair practice of legitimate business.

There is no set rule or yard stick that can be applied to the handling of delinquent accounts. Each case should be handled on its merits, with fairness and firmness but with the thought of penalizing the chronic slow pay debtor as in the main he is a parasite preying on legitimate business. No exceptions should be made except under the most extenuating circumstances. If the credit profession as a whole would be less lenient on extensions and more stringent on the enforcement of terms it would have a wholesome effect on business.

Moreover, if all creditors automatically placed delinquent customers on a C.O.D. basis without exception it would work some hardship but in the ultimate would react to the best interests of the distributor as well as the customer. Until such time, however, as chiseling creditors as well as debtors can be brought into line, through education and intelligent credit group control the problem of the delinquent customer will be with us and will be handled in keeping with the degree of intelligence of the credit man and his company's sales policy.

Group credit control

by T. C. McINTIRE, B. P. John Furniture Corp., Portland, Ore.

The Furniture Group of the Portland Association of Credit Men discussed for some time the matter of protecting their interests in accounts before they became delinquent. Out of this discussion there developed a plan which has been followed for some time and which has proven very satisfactory. The application of the plan is best described by actual experience so that two cases are cited as follows:

An account which had gone into bankruptcy in one of the smaller towns was settled for on the basis of 26¢ on the dollar. The stock was sold to a salvage firm who later sold it to one of the former employees of the bankrupt firm.

This party effected a corporation and applied for credit for merchandise. Owing to the experience which previously was had with the company, no one was inclined to allow credit and it was held strictly to a cash basis. He operated this way for several months and proved his ability as a merchant.

Then was taken up by the Group the question of extending him credit as a group; i. e. placing a limit of $1,000 as an entire credit, he being given the privilege of buying from any member of the group and not restricted from buying outside.

He was required to make semimonthly reports of his purchases, sales and amounts owing and to whom. This report was then transmitted to each member of the Group and to those outside selling him.

His account has now been operative in this manner for some period of time and his credit has grown from the original $1,000 to $4,000. In the interim he has operated successfully and has kept his purchases within line of his sales.

Case No. 2 was an instance of a concern which had formerly gone into receivership and which had been operating jointly with the receiver in the conducting of the business.

An equity of between nine and ten thousand dollars had been established by them out of the estate and arrangements were made for one location to be turned back to them.

Question of re-establishing credit arose and it was felt by members of the Furniture Group that to permit them to buy promiscuously would endanger the accounts of those selling them.

Arrangements were made whereby a new corporation was formed and an agreement drawn through the Adjustment Bureau whereby all of the stock of the corporation was assigned to the Bureau together with all purchase contracts as created.

On the basis of this security credit has been extended to the extent of $20,000 with purchase contracts in security of some $28,000 plus an inventory of $12,000 or in reality a two to one security. The company has shown a profit in ten months' operation of between nine and ten thousand dollars.

In support of the foregoing and other plans of the Group, it has become common practice wherein the creditor has failed or asked for an extension and then seeks credit from others of the Group from whom he has not been purchasing, to refuse (*Cont. on page* 47)

Notes About Credit Matters

McCallion to Philadelphia

Operation and control of all service departments in Philadelphia is being taken over by the Service Corporation of the National Association of Credit Men. This action is taken at the request and with the full approval of the officers of the Philadelphia Association.

As of May 15th, Mr. T. E. McCallion assumed his duties as Philadelphia Manager for the Service Corporation, being in full charge of all service department activities there. Mr. McCallion has shown such efficiency as Secretary-Manager of the Rochester Association of Credit Men and is so favorably known in the field that it is unnecessary to go into detail regarding his qualifications for the new position.

Mr. Samuel Ardron's large host of friends throughout the country will be glad to know that he is to continue as Secretary of the Association in Philadelphia.

Credit code

by HARRY G. HILD,
Southwest Cigar Co.
Dallas, Texas

We have many forms of suggestions and criticisms brought to our attention through newspapers, magazines, by speeches over the radio and at luncheon clubs. What will the ultimate outcome be and who will benefit from the mass prognostications?

After all, individual initiative is the strongest factor in moulding one's own destiny. Like the old saying "You make your own bed, so sleep in it."

It's alright to be "penny wise and pound foolish" provided you close your eyes when an internal check is made on your individual business and it shows that if you had availed yourself of several specialized services at a very nominal cost, your final analysis would have reflected sane business methods instead of "miserly penny wise and pound foolish" methods.

The uncontrollable cloud which invariably blackens the sunshine of every well planned code, is the "gyp" method of just a few in each industry who cause trouble and blight the confidence of the majority.

Mr. A. A. Ruppert, of Tish, Inc. speaks the truth and the whole truth in his article in "Printers Ink," under the title, "Chisler Is Still Busy." His outstanding remedy is the one where he suggests, "let legitimate manufacturers in each industry get together to refuse to supply their quality products to "gyps" whose credit is unreliable. This can be done by exchange of information, even though the "National Cut Rate Shop" disappears over night and pops up on the other side of the town as the "Royal Thrift Emporium," somebody in business is going to recognize Dr. Jekyll as Mr. Hyde, and warn his fellows."

"Dyed in the wool cooperation" is what we need, backed by a "staid abundance of intestinal stamina." It's no secret how to keep "gyps" out of business and you do not have to have the "wisdom of Solomon" to discover the "spots on these leopards."

Cooperation with your legitimate allies in your particular or kindred lines, with the use of several available services at a nominal cost, will practically codify your, or my field of endeavor.

The truth is well said in that remark we hear on many occasions "Credit is cheap." Well, it is so cheap it has lost all of its respectability?

Uncontrollable machine production in slack demand periods, has created special allowances and the taking of chances on undesirable credit risks which ultimately cheapen our credit structure and destroys the principle upon which is built profitable business.

However, I am glad to say at this time, I have contracted a number of seasoned credit executives, who are not "hog tied" by any manual of procedure based on the moving of unwise productions.

They informed me that their granting of credits has been boiled down to one thing and that is, weeding out the undesirables and inefficient risks.

This should not be construed as the lack of nerve—the willingness to take a gamble or their unwillingness to support our recovery program. It's just self preservation and any firm that has weakened its credit department by trying to economize will wake up with a bad debt loss far too great to be healthy.

Through close observation and contact on my part, I know there is a lot of young blood supervising credit departments, in their humble way, and in many cases their hands are tied, due to the lack of authority.

I suggest that they be given power to act and in their modus operandi the outstanding requisites should be to avail themselves of every service that will identify Dr. Jekyll as Mr. Hyde, and by all means associate with the credit executives in their respective groups and association meetings.

The right kind of association builds intellectual brain cells and enables one to have a broader vision in deciding every day's problems intelligently.

My reference to available service at a nominal price deserves consideration and the outstanding and most practical ones are Credit Interchange Reports compiled by sixty seven bureaus operated under the supervision of the National Association of Credit Men.

These reports reflect all phases of the subject who is seeking credit, and beyond a doubt identifies the Dr. Jekyll and Mr. Hyde herein, referred to. The entire structure of the National Association of Credit Men is built on the main solution to our much discussed economic problems, and that is, Cooperation. Seeing is believing. Seek the light and you will receive it, with a gratifying reward.

Why Not?

Mrs. Robinson would never take her husband's golf seriously. She was one of those people to whom all games are an absolute mystery.

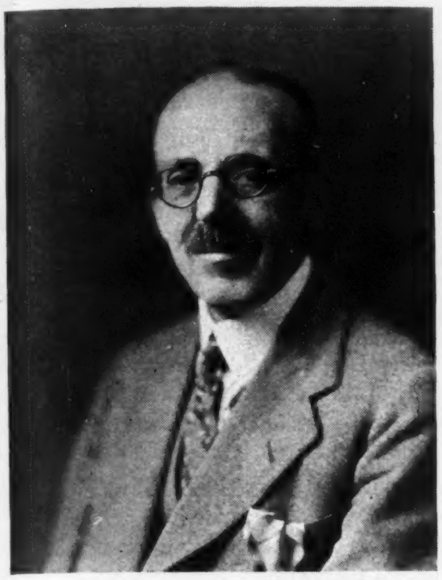
One day she accompanied him to the links and followed him round, grumbling all the way. At last he landed in a bunker, and spent some time floundering about in the sand.

His wife sat down on the top of the bunker, opened a novel, and said, quite affably, "You see, darling, I knew perfectly well you could do all your playing in one place if you wanted to."

—Tit-Bits.

"California, here we come!"
39th Annual N. A. C. M. Convention and 4th Credit Congress of Industry
Los Angeles . . . June 11-15

Credit careers



Edgar L. Ide

Julius Caesar, in Shakespeare's play by the same name, is told by the soothsayer to "beware the ides of March." There is no need to beware the Ide of the National Association of Credit Men. He has been an active force and an energizing influence in its affairs throughout its history.

It was only a year after the establishment of the National Association of Credit Men in 1896, that Edgar L. Ide established his first contact. In 1897 Mr. Ide became a member of the Detroit Credit Men's Association, later serving as a member of the Board of Directors. He was active until 1909 when he moved to Cadillac, Michigan, and then, despite his distance from Detroit, he retained an individual membership in the Association. In 1910, Mr. Ide went to Los Angeles and reestablished his active contact with the National Association of Credit Men by becoming a member of the Los Angeles Association.

His activities in the Los Angeles Association immediately developed. In 1916 he was elected Assistant Secretary of the Association, and in 1918 was made Secretary. He held that office until 1926 when he was elected President of the Los Angeles Credit Men's Association for a one year term. Following his occupancy of the Presidency, Mr. Ide was selected as a member of the Board of Directors for a term of three years, reelected for another three year term in 1930, which brings his continuous service as an officer to seventeen years.

And in all that time he has not missed a monthly meeting, an enviable record in itself. But he was not only active in the workings of the Los Angeles Association. At the convention in Louisville he was elected to the Board of Directors of the National Association for a two year term. His characteristic attention to the work connected with any position he has held, was evidenced during this National Directorship, for he attended all of the meetings of the National Board of Directors during this period, including a special meeting at St. Louis. At that meeting he was the only representative from the Western Division.

Thus he was in the limelight of Association activities, but despite the claims of his private business affairs and his Association work, he still found time to serve as a member of the Executive Committee of the Western Division for a two year term during the time he held the National Directorship. And his record of attendance at meetings of the Western Division's Executive Committee was also perfect!

If Mr. Ide has a hobby, it certainly is the National Association of Credit Men. In substantiation of that statement, let us add that he has known personally every President of the National Association of Credit Men from William H. Preston in 1896 to Ernest I. Kilcup in 1934.

Group credit control

(*Cont. from p. 45*) new credit and refer the customer back to those who are carrying the burden of his accounts.

Another interesting feature is found that wherein a dealer has failed to make settlement for an amount less than full value, he is not given consideration for further credit if he re-enters business until he has paid the former obligation in full.

True, Too

Teacher was telling her class little stories in natural history, and she asked if any one could tell her what a ground-hog was. Up went a little hand, waving frantically.

"Well, Carl, you may tell us what a ground-hog is."

"Please, ma'am, it's a sausage."

James H. McCallum

Regretfully we note the passing of a friend and associate.

James H. McCallum, for many years Secretary-Manager of the Chattanooga, Tennessee, Association of Credit Men, and organizer of the adjustment bureau there in 1912, died on Wednesday, May 9, 1934, in Chicago.

Immediately prior to his death he was manager of the National Furniture Credit Bureau with headquarters in Chicago.

His popularity throughout the Association and with his many business friends attest his sterling qualities.

Buffalo credit report

The ratio of overdue to outstanding accounts of 22 wholesale concerns in the Buffalo area dropped from 20.3% on April 1 to 18.8% on May 1, 1934. The ratio on May 1, 1934 was 20.8%, the Bureau of Business and Social Research of the University of Buffalo reports.

"My English Is Great"

A Chinese newspaper is said to contain this letter from an applicant for work:

"Sir: I am Wang . . . I can drive a typewriter with good noise and my English is great . . . My last job has left itself for me, for the good reason that the large man is dead. It was on account of no fault of mine. So, honorable sirs, what about it? If I can be of big use to you, I will arrive on some date that you should guess."—*Forbes*.

Insurance question box

Q. Explain "strike insurance." What does it cover and how much does it cost?

B. J. H.

A. A period of rising prices always means labor trouble and since we are now in such a period the question with reference to "strike insurance" is a timely one. Labor trouble creates a number of unusual risks which the business man cannot afford to take at this time.

The coverage of a fire insurance policy specifically excludes a loss caused directly or indirectly by insurrection, riot or civil commotion, therefore should a group of rioters burn a building the property owner could not collect under the fire policy. However, he could collect under a Riot, Civil Commotion and Explosion policy. The principal features of this policy are as follows:

The policy covers against direct loss or damage caused by:

1. Riot.
2. Insurrection.
3. Civil Commotion.
4. Pillage and/or Looting when such Pillage and/or Looting occurs during and at the immediate place of Riot.
5. Explosion caused by any of the foregoing.
6. Explosion caused from other than the above described whether originating on the premises of the assured or elsewhere.

The policy does not cover:

1. Acts of vandalism, sabotage and malicious intent of any kind.
2. Loss or damage to glass which may be a part of the building in excess of 10% of the value of the building.
3. Loss or damage to bills, currency, deeds, evidences of debt, money, notes or securities.
4. Loss or damage covered under a fire policy or any other kind of insurance contract.
5. Damage caused by explosion originating within steam boilers, pipes, flywheels, engines and machinery connected therewith.

The question of what constitutes a riot is sometimes asked. The Century Dictionary defines the term riot and civil commotion, as applying in law, as an unlawful assembly which has actually begun to execute the purpose for which it assembled by a breach of the peace, and to the terror of the public, or a lawful assembly proceeding to execute an unlawful purpose. Under the common law of most states, a riot cannot take place without the joint action of at least three persons.

All Riot, Civil Commotion and Explosion rates are based upon three factors: the hazard of the occupancy, the construction of the building, and the percent of coinsurance carried. Ordinary mercantile rates are (per $100): 7½¢ for fireproof construction, 10¢ for brick construction and 12½¢ for frame construction—all based on 50 percent coinsurance, with liberal credits for higher coinsurance.

A rather unusual feature of this contract is the fact that it cannot be cancelled by either company or the insured for a period of 90 days beginning with the date of the policy. Thereafter it can be cancelled by the assured or the company as provided by the policy. The only exception to this is when the premium has not been paid and then the company may cancel by giving the customary five days' notice.

"California, here we come!"
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Budgetary control during depression, by FRANK KLEIN, Worthington Pump and Machinery Corp., Harrison, N. J.

Ask ten executives from different organizations whether they believe that careful planning for the future is necessary and the reply will be unanimous. But ask these same men whether they employ budgets in their business and you will probably get an affirmative reply from three or four. The others will tell you that "the time is not propitious for installing such a plan—things should be more stable," or "our business does not lend itself to budgeting due to the unusual nature of its operations," or "we just haven't gotten around to it yet." As a matter of fact every one of this group employs some of the principles of budgetary control in his business at one time or another, for budgeting is nothing more than controlled planning. And the provision for systematized planning of all phases of the corporation's activities under the various conditions it must encounter constitutes budgetary control.

During the seven years in which Worthington has applied budgetary control methods to its operations, the business cycle has swung widely in both directions, our products have been developed considerably, and many changes have occurred in the processes of production. Yet at no time during this period, nor in any part of our operating activities, has the budget failed to provide the desired control. This is largely because our budget was planned for its adaptability to our operations, and for its flexibility to changing economic conditions, two factors which can and should be included in every budget.

To get an idea of how this tool of management functions, and of some of the results that it produces, let us consider a typical example of budgetary control in the machinery business. Method details will vary with the type of business, but practically all the principles will apply to any organization.

As the financial objective of any business organization's operations is to provide a satisfactory margin between the gross income received and the amount of expenditures incurred to produce such income, it is necessary that all proposed expenses be related to the expected gross income or sales. The first step must, therefore, be an approximation of sales.

Sales estimates, or quotas, for the coming year are prepared in December. Let us assume that we may reasonably expect twenty-five million dollars of business during the coming year. This, then, is the point around which must be built our plans for the coming period.

Analysis of current operations will show the amount of direct material and labor in each dollar of average business. These rates, adjusted for price changes expected during the coming period, and multiplied by the sales quota, will give the total material and labor cost for budget purposes. A compilation of all productive facilities by departments will show the productive hours possible with all equipment working the full weekly working hours, or at 100 per cent capacity. The average direct hours in a customer's billing dollar multiplied by the expected sales will give the direct hours necessary to produce the expected volume, and these, when related to the total possible hours at 100 per cent capacity, will show the operating capacity necessary to produce the sales quota. The plant expenses incidental to operation at the determined capacity are then calculated, and when added to the direct material and labor costs show the shop cost of producing the sales quota. The selling expenses necessary to obtain the expected volume of bookings are estimated, and general expenses incidental to operations on the stated basis are listed, and the difference between the sum of all costs and expenses as compared with expected sales is the estimated profit or loss result.

Let us suppose that we (*Cont. on p.* 51)

A four billion racket?

(*Cont. from p.* 23) realizing the assets and effecting their distribution to creditors amounted to $231,850,000. In other words, it cost on the average of 28.45 cents for each $1.00 paid to creditors. Each $1.00 which the creditors realized, in turn, represented only 7.56 cents per dollar of liabilities."

"Two outstanding revelations deserve serious consideration. First, bankruptcies during the past 14 years have resulted in the staggering loss of $9,961,717,000 to creditors. But, if it is assumed that liabilities were approximately equal to the capital of the cases involved—and this seems a reasonable assumption—creditors and proprietors have lost almost 20 billion dollars in 14 years, or about $1\frac{1}{2}$ billions per annum, through debtors whose affairs were wound up in bankruptcy, without considering other failures and liquidations."

In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Servicing office machinery

It is just as sensible an economy to have your office machinery regularly serviced as it is to have your car overhauled at intervals. To entrust the maintenance of typewriters, mimeographs, adding machines, check writer, bookkeeping and other mechanical equipment to non-mechanically minded employees is inviting needlessly rapid depreciation. Regular inspection often avoids costly repairs. There is no excuse for rattletrap office equipment—any more than there is for run down factory equipment. Pennies invested in upkeep often save dollars spent on breakdowns.

This and that:

Out in Seattle, Washington, Mr. and Mrs. Fred C. Parks are said to be building up a nice little business with their Memo-Desk, a telephone memorandum pad consisting of a roll of paper mounted on a panel with strips of aluminum serving as knives. Five models and twelve patterns are now produced . . . A very handy type of zipper envelope has standard ring binders inside for inserting punched papers . . . Memo pad on which you write. Finished with memo touch the pad and writing disappears. Handy gadget. One we saw was all of 20c . . . The Meilicke Systems, Inc., of Chicago, are now featuring their NRA Payroll Calculator, a series of cards with precalculated, verified, answers, built upon piece work, hourly or weekly basis . . . answers in 1/4 hour steps. This is a non-mechanical system which can be operated by any employee . . . There is a standard chair height, a standard desk height, but there is no standard leg length, height or any other dimension for human beings (not that they matter). We sit about 70 per cent of our office day . . . Therefore, we are looking into kinds of chairs, fatigue, people's sizes and that sort of thing and when we have the data assembled it will appear on this page.

Improved duplicator

The Heyer Corporation, Chicago, Illinois, has announced a newly designed Ideal Duplicator made in five sizes ranging from note size (7 x 10 in.) to double folio size (15 x 18 in.) in both two and four gelatin filled surfaces. This duplicator reproduces up to 100 copies, in one or more colors, of anything written, typed or drawn in hectograph inks. For office forms in small quantities, special credit forms, bulletins to salesmen, branch offices, etc., this is one of the least expensive methods of reproduction. The Ideal Duplicators are low in price.

New safety paper

A new safety paper—Inkset—seems to offer exceptional protective value for checks, stock certificates, letters of credit, bonds, etc. The safety feature of Inkset paper is not added after the paper is made. It is an integral part of the paper itself. Produced under the closest supervision by a patented process and using a patented design Inkset Paper cannot be readily imitated by the unscrupulous. Moreover, this paper cannot be purchased in the open market since the manufacturer retains complete control of the paper until it is delivered into the hands of the actual user or his bank. To users of a specified number of checks the manufacturer offers insurance against all possible losses as a result of forgery of endorsement, forgery of signature, alteration of name, date, number or amount on any check lithographed or printed on Inkset paper. There are several grades and colors of Inkset Safety Paper to meet individual needs. Full information may be had from Detectoscope Sales Corporation, 60 East 42nd Street, New York City, sales representatives for the manufacturer.

Corner clip folders

Many credit executives favor the idea of having all papers relating to a specific account firmly affixed to the file folder. This obviates missing papers and is assurance that all data will be on hand when needed. Corner-Clip Folders, made by Shaw-Walker, are very useful for this purpose. These are extra heavy weight Kraft folders with a special prong which pierces papers to be filed and, when bent over, firmly attaches them to the folder. No part of the filed paper is punched out by this method nor is it mutilated. Every paper is completely visible and easily accessible, even though a folder is filled to capacity. The binding is secure. Insertion is easy and quick. We have found these folders most convenient. Various styles are available for special needs. The company issues a special leaflet describing Corner-Clip Folders which will be sent on request.

—H. P. Preston.

Sales-credit symposium

(*Cont. from page* 13) which in all probability will be absorbed through loss of interest on the invested capital on such delinquent accounts.

As previously pointed out, no sale is complete until payment is received; the salesman should therefore, have a vital interest in the paying records of his accounts, and provided that he has sold his terms properly at the outset, he can approach his customer without hesitation requesting settlement of the account upon due date under the terms previously agreed upon.

All efforts of the sales organization are rendered useless and of no effect if the collections are not made on due accounts in due time.

Everyone in the employment of any sales organization should be made to realize that it is an easy matter to give out merchandise on credit without hoping ever to effect collection therefore, which, in reality, does not constitute a sale but a mere REGALO, (gift).

"California, here we come!"

39th Annual N. A. C. M. Convention and 4th Credit Congress of Industry

Los Angeles . . . June 11-15

Loser's choice

Customer, entering hat shop: I've just lost a bet and want a soft hat.

Salesman, selecting a hat from the shelf behind him: This is the softest hat we've got.

Customer, reluctantly: What I want is something a little more tender. I've got to eat it.

Budgets in depression

(*Continued from page* 49) have obtained the following figures:

Sales Quota		$25,000,000
Shop Costs:		
Direct Material	$7,850,000	
Direct Labor	7,500,000	
Plant Overhead at 40 per cent Capacity ..	8,000,000	
Selling Expenses ..	2,000,000	
General and Administrative Expenses	800,000	26,150,000
Preliminary Estimate of Loss for Period		$1,150,000

One very definite objective immediately looms—the elimination of $1,150,000 of prospective loss.

The means of balancing the budget are diverse and will depend upon the skill and ingenuity of management. There may have to be sacrifices in personnel. A study may show the desirability of closing temporarily one or more plants, of consolidating certain district offices. In nearly every organization a vast amount of system detail is built up over a period of years, much of which, sometimes, can be consolidated or eliminated.

As a result of the foregoing steps, it may have been possible to substitute a gain for a loss, to balance the budget, or only to have reduced materially the amount of loss. In any event, the management has weighed carefully every dollar which it proposes to expend, knows what the result will be, and can shape its cash requirements accordingly.

On the basis of the revisions and adjustments made to expenses and practices, the budgets are now established. For the selling and general expenses, they are on a fixed basis, as indicated. But for the plants a different basis is used, and it is important to note this as it may mean the difference between effective and ineffective budgeting. Realizing that sales quotas for a period are rarely, if ever, exactly equalled, and that even if they were the same for the period, their flow through the plants would be uneven from month to month, it is necessary to establish a series of allowances for the various capacities over which operations are likely to range during the period. In our example we assumed an average capacity of 40 per cent necessary to produce the sales quota. In the circumstances it might be wise to provide for budget allowances in 5 per cent steps from 20 per cent to 60 per cent capacity. An indirect expense budget form listing expense classifications in detail on the left side, and with as many columns as needed to provide the necessary range of probable operating capacities, affords the means of control for each department. Those expenses which vary directly with production are changed proportionately, on the sheet, with capacities. Other items are varied as practice and study show to be necessary. Each sheet, when summarized, becomes the guide for the departmental head in planning expenditures. The summary of all departments, of course, shows the expense cost of operating the plant at various rates of capacity. Material and labor costs vary directly with production and offer no particular difficulty as the amount of business processed, times the material and labor rates, give the budgeted costs of these two items. Prompt comparisons of actual performance with budgets are made weekly and monthly, and the necessary corrective steps taken by departmental heads.

So far we have (*Cont. on page* 57)

Roster of N. A. C. M. affiliated associations

as of May 15, 1934

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Davol Rubber Company
Providence, R. I.

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"California, here we come!"

39th Annual N. A. C. M. Convention and 4th Credit Congress of Industry
Los Angeles . . . June 11-15

They Got Mad

"Rastus," said the judge, "you are accused of disturbing the entire neighborhood on Tuesday night. What have you to say for yourself?"

"Well, suh, judge, it was this here way," said Rastus. "Me and Lucy had an argument. She called me a lazy lofah, an' I slap her down flat. Up she hops, an' smash a skillet on mah haid, an' drop me flat. Den I riz up and welt her one wid a chair! an' den she done heave a hot tea kettle at me, which sho' scald me quite considerable."

"I see," said the judge. "And then what happened?"

"An' den," said Rastus slowly, "den we gits mad an' starts to fight."

Helpful

Jones: "Say, that's a wonderful follow-up system you have there for collections. Where did you come across it?"

Brown: "I just saved the letters my boy sent me while at college and adapted them to my business."

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Technological obsolescense

The New York Times recently carried an article, signed by Charles E. Egan, quoting the views of Arthur Lazarus, who recently resigned as Assistant Deputy Administrator of the N.R.A. in charge of the insurance codes. The writer says that facts brought to light at industrial code hearings in Washington have demonstrated the need for some type of property life insurance by which manufacturers can provide for the replacement of machinery and plants rendered obsolete by technological advancement or by the passage of time. Mr. Lazarus says that production costs in nine out of ten industries are far higher than necessary because manufacturers are operating old equipment which they cannot afford to replace or modernize at present. Quoting Mr. Egan's interview with Mr. Lazarus further:

"Although in theory most manufacturers take care of obsolescence by book entries," Mr. Lazarus continued, "the instances where a fund is actually available when obsolescence occurs are rare. We also know that the depreciation allowance, as far as it applies to machinery, is too low. In machine tools there are many instances where machinery in use a year or so has been rendered out of date by new developments, but is not replaced because producers cannot afford the expenditure.

"Our rated capacities of output in many industries are only theoretical possibilities. In the production of steel rails, for instance, we have a reported productive capacity of 4,000,000 tons annually. As a matter of fact, if orders for as much as 80% of that figure were received in any one year it would be impossible to produce that quantity economically because costs of production in using obsolete equipment called into service to turn out the orders would be too high. A somewhat similar situation exists generally in the steel industry, where not more than 80% of the rated production capacity could be attained because 20% of the machinery is continually out of use for repairs or because it is too old and expensive to operate."

Mr. Lazarus, who spent ten years as a research specialist for insurance companies, is convinced that the problem of obsolescence can be figured out on an actuarial basis for every industry, and that by building up a fund such as is done in life insurance the companies can handle the risks on a profitable basis. He suggests that policies affording both fire and property life insurance be written. If a machine or factory operates throughout a predetermined "life span" the funds for replacement would be supplied by the insurance company. If new developments make replacement necessary before expiration of the normal period, the policy would provide for replacement at once.

So far as the "property life insurance" features of the policies are concerned, Mr. Lazarus said, the principles would be roughly those applying on present twenty-five year endowment policies sold by life insurance companies.

In New England at present a group of manufacturers has worked out a tentative plan for building up a fund to replace machinery at the end of a stipulated life span, he added, but the effect of new developments on the life of the machinery is not covered.

Inauguration of the new insurance, in Mr. Lazarus' opinion, would open up a period of intensive research into methods of prolonging the efficient life of machinery. Both insurance companies and manufacturers would be active in promoting the efficiency of machinery, he said.

Manufacturers of equipment as well as machinery buyers displayed a keen interest in the proposal. Although the idea is new, they said, it appears to have excellent possibilities.

A second major avenue for application of the plan, Mr. Lazarus said, would be found in property life insurance for small homes. With insurance policies running for a stated period of twenty or thirty years, he insists, home owners could be sure that at the expiration of the normal life of a home they would have sufficient money to build a new structure of modern design. A backlog of orders sufficient to keep the home building industry operating at an active rate in good times or bad would be built up by the sale of such policies, he concluded.

Flood Stage News

The flood increased so rapidly that many of the townspeople along the river bank were forced to cling to the first thing they could lay their hands on. A musician, unable to locate a boat, rode down the river on his bass viol.

"His wife," said the music critic covering the event, "accompanied him on the piano."—Louisville and Nashville Employee Magazine.

Miss Jones was teaching English to her class. She asked that they write sentences containing the following words: deduct, defeat, detail, and defense.

Little Johnnie turned in the following: "Defeat of deduct went over defence before detail."—Phoenix Quill.

Chiseling the discount

(*Cont. from page* 11) bankers for a loan sufficient to retire merchandise indebtedness within cash discount terms. It will cost them 6% to borrow the necessary funds but leave them a margin that will reflect very favorably in their annual profit and loss statement.

Therefore, if more business organizations would stop to consider the actual importance of this particular item I am sure every effort would be made to not only avail themselves of the cash discount at all times but also make positive that this premium is properly earned and consequently relieve the seller of what unquestionably to him is an unnecessary burden.

This article would hardly be complete without discussing the subject from the standpoint of the seller so let us review briefly his position and give some thought to measures he may adopt to prevent the so-called abuse. Quite generally it is said, that cash discount is taken into consideration when the selling price is decided upon. To an extent this is true. It is generally expected however, that this item will act as an incentive and result in the seller obtaining a reasonably fast return on the money invested in his product.

Therefore, when the amount is allowed the buyer in the face of seriously delayed payments the real purpose is defeated and the seller actually has an expense not fully considered in his original calculations. Because of this, every effort should be made to eliminate the unfair practice, using wherever possible constructive ideas that have a tendency to build good will, for after all this subject is one which, if not handled skillfully, may very often cause the loss of some business.

One method used successfully as a good will builder, and at the same time assisting in the strict maintenance of cash discount terms, is in the form of a reminder, either by letter or card, such as the one on page 11.

Regardless of constructive service such as that mentioned above there will always be a certain portion of the trade attempting to take advantage of the seller. These situations should be watched closely and a definite record kept of the tardiness so that a complete story may be constructed later on when it becomes necessary to charge back the buyer for unearned deductions. In my opinion this information should be recorded on a card somewhat similar to the following:

When the offense is committed in the first instance the details should be recorded on this card. However a letter should also be written to the buyer informing him that the unearned deduction is being allowed although a precedent is not being established and subsequent unearned deductions without justification will positively be charged back to his account. Letters of this type should be worded very carefully of course because this particular occasion presents a very fine opportunity for the buyer to forcibly bring home his point and yet lose no good will whatever.

It is a forgone conclusion that as long as the buyer has an opportunity of earning an added premium by submitting payments promptly there is bound to be endless discussions as to whether or not this cash discount is properly earned. As mentioned in the early part of this article I am definitely convinced that this item is given for a very definite reason and consequently all vendors should insist that their short terms be strictly adhered to if the discount is to be taken advantage of.

Budgets in depression

(*Cont. from p.* 51) estimated that business for the coming year will be considerably below normal, that current expenses are much too high for the reduced sales volumes, and have decided upon the steps which will be necessary to produce the desired results. We place our budgets in effect on the first of the year and promptly at the conclusion of each operating period compile a budget allowance commensurate with the amount of production, or capacity worked, and compare it with actual costs. This is the procedure until conditions change radically.

But these are times of extreme variations, and so we shall introduce a further complication. After the first three months of operation, the entire economic situation has changed, and it is realized that the quota, low as it is, will not be possible of attainment. Again, plans must be revised downward, the probable loss calculated under the newly reduced quotas, and steps once more taken to reduce the loss. It is difficult to take the necessary action in times like these, but the interests of the entire group of employees, as well as the owners, demand that steps be taken to preserve the corporate existence. Everything must be done to reduce costs, but also to preserve to a maximum the corporate experience and "know-how" represented in its personnel. The revised budgets are placed in effect immediately.

The foregoing principles apply equally to periods of increasing volumes. In fact, it was during the long upward climb in 1927, '28 and '29 that this form of control first proved its value to Worthington. Everyone recalls the tendency to "run wild" on expenditures as soon as volume increased. But here the bases for increases are determined by facts, and they apply equally throughout the plants.

In this discussion I have avoided such questions as overcapitalization, expansion of sales through development or acquisition of new lines of product, and reduction of fixed charges through write-down of plants and equipment. It is assumed these broader financial matters have all received prior consideration, and that we have been confronted with the task of operating the corporate properties as they exist, and under current conditions, at a satisfactory profit.

It will be noted that throughout this description no emphasis is placed upon the powers of budgetary control. In fact, it has exactly none. But management, in possession of the facts which this yardstick provides, does have power, and the ability, to intelligently direct its activities. With it, a definite objective is established, and all efforts are directed toward its attainment. With this spirit abroad in the organization, any corporation is brought infinitely closer to the realization of a satisfactory profit result.

—Executives Service Bulletin.

"California, here we come!"
39th Annual N. A. C. M. Convention and 4th Credit Congress of Industry
Los Angeles . . . June 11-15

Disguised

Pedestrian (to boy leading a skinny mongrel pup): "What kind of a dog is that, my boy?"

Boy—"This is a police dog."

Pedestrian—"That doesn't look like a police dog."

Boy—"Nope, it's in the secret service."

In Reserve

Grace—"I hear you and your wife had some words."

Jack—"I still have mine; I didn't have a chance to use 'em."

The credit stakes

(*Cont. from page* 25) allow the customer to dictate the terms of sale, (15) Help your customer to pay his bills, do not force him to do so, (16) Join your trade group meetings and be ethical in using the information obtained, (17) To the best of your ability, forecast the credit responsibility of your debtor.

By following the statistics on Carloadings, The Price Index, and Bank Clearings, all of which are published in trade journals, you are able to follow the trend in the amount of merchandise shipped or purchased, the variations in Prices and the Value or amount of the Transactions. The making of seasonal comparisons from year to year, will give you an insight into the general trend of business, thereby placing you in a position of counseling with your debtors regarding any plans they may be making for their future operation.

If it were possible (and it is not impossible) for each of us to check credits more or less in line with the suggestions just outlined, there is no question but that the liquid position of our accounts receivable would be greatly improved. We must remember that liquid credit means sound business and what we require more than anything else at this time is sound substantial business.

In summing up this discussion an old motto is recalled, which read: "Be sure you are right, then go ahead." Another motto might be suggested at this time, which if followed conscientiously by the credit fraternity would be instrumental in eliminating a substantial part of our annual bad debt loss, and that motto is: "Know your Debtor, then act accordingly."

Corporate bankruptcy

(*Cont. from p.* 21) a racket which costs American creditors close to Four Billions of dollars in the last five years, seems to indicate that members of Congress are about ready to go into the whole subject of bankruptcy legislation and give it a thorough house cleaning, perhaps at the next session.

The Association year

(*Cont. from p.* 7) this legislation, so effort was concentrated upon revisions of the proposed measure so as to place necessary safeguards in it to protect creditor interests. As finally sent to the congressional conferees, this bill sets up many requirements and regulations before a municipality may file a petition in bankruptcy court.

Collecting from lawyers

(*Cont. from p.* 10) to keep "proposing" payment. We all know that "in the Spring, a young man's fancy lightly turns to thoughts of love.." Many of these young men will insist that they can not write a good business letter. But, read what he is able to write to the little girl of his dreams! In such letters he finds no difficulty in readily, persuasively, and forcibly expressing himself—in waxing enthusiastic and even eloquent, about her eyes, her hair, the roses in her cheeks and the sunshine of her smile. That young man knows (or thinks he knows) what he is writing about—he is fervent —he has interest—he knows his subject —and he is smart enough to "talk to her" from her view point, just as all sensible correspondents must do if they desire co-operation and affirmative replies.

Credit in the codes

(*Cont. from page* 28)

Paint, Varnish & Lacquer Mfg. Industry (Amendment): Maximum cash discount and credit term periods in Article XVI amended and exactly defined. Regulation on spring stock orders. Maximum dating on new accounts. Regulation of datings on false stock orders covering artists' colors only.

Photographic & Photo Finishing Industry: Definite maximum terms of sale. Basic trade discounts regulated. No return goods except for defect in product. Open price listing.

Preformed Plastic Products Industry: Usual unfair trade practices. Price and terms to be filed with Code Authority.

Printing Ink Manufacturing Industry: No credit provisions.

Punch Board Mfg. Industry: Usual unfair trade practices including no shipment on consignment, secret rebates, preferential terms and discounts. Maximum term period. Regulation of returned goods.

Quicksilver Industry: Price schedules to be filed with Code Authority. Usual unfair trade practices. No consignment except as defined by Code Authority.

Ready-Mixed Concrete Industry: Usual unfair trade practices. Regulation of bidding. Regulation against bid-peddling. Uniform cost accounting to be determined by Code Authority. Open price policy adopted. Uniform terms of sale and credit practices to be established by Code Authority in different marketing areas.

Rock and Slag Wool Manufacturing Industry: Usual unfair trade practices.. No sales for export, unless buyer agrees not to resell product within United States. No consignment or warehousing of stocks.

Rug Chemical Processing Trade: Open price policy. Mutual unfair trade practices.

Sanitary & Waterproof Specialties Mfg. Industry: Customers classified. Members of industry to file schedule of price and terms. Maximum terms of sale and discounts. Regulation of holiday goods shipments. Very complete list of unfair trade practices. No consignment. Regulation of distressed merchandise and periods of the year in which they can be sold.

Scrap Iron Nonferrous Scrap Metals & Waste Materials Trade: Usual unfair trade practices.

Solid Braided Cord Industry: Code Authority to make recommendations as to methods and conditions of trading, disposal of distressed merchandisinse and other trade practices.

Stay Manufacturing Industry: Usual unfair trade practices. Consignment sale regulated by Code Authority. Maximum cash discount specified. No post-dating of invoices. Regulations of returned goods. Regulation of blanket and future orders.

Steel Wool Industry: Members to file price terms and discount schedule with Code Authority. Code Authority authorized to deal with price cutting situations. Regulations therefor specified in code. Usual unfair trade practices, including unearned discounts, secret rebates, guarantee against price decline, etc.

Talc & Soapstone Industry: Open price schedule. Usual unfair trade practices greatly amplified.

Tapioca Dry Products Industry: Usual unfair trade practices. No sales on consignments. Regulation of samples. Maximum terms and discounts.

Textile Print Roller Engraver Industry: Usual unfair trade practices.

Upholstery & Decorative Fabrics Trade (Supplement to Wholesale Distributing Code): Unfair trade practices defined. Maximum cash discount and net term period. Quantity discounts defined. Regulation of sample orders, return goods and consignments.

Upholstery Spring & Accessories Mfg. Industry: Open price policy. Very complete schedule of unfair trade practices. No allowance of extra discount or interest for anticipation. No consignment.

Vacuum Cleaner Mfg. Industry: No sales below cost, as defined by Code Authority. Code Authority to study trade practices and from time to time make recommendation.

Wholesale Coal Industry: Code authority to use such agencies as necessary to carry out provisions of the code. Usual unfair trade practices, including discriminatory credit allowances or any unjust allowances, such as rebates, unearned discounts, etc.

Wholesale Wallpaper Trade (Division of Wholesaling or Distributing Trade): Definite maximum terms of sale and discounts with additional deduction for cash payment within discounting period. Usual unfair trade practice. Sampling regulated.

Wooden Insulator Pin & Bracket Mfg. Industry: Code authority to develop schedule of trade practices in addition to usual ones itemized in this code.

Wrecking & Salvage Industry: Regulation of bids. Usual unfair trade practices.

"Queen Bess" had troubles too

More than three hundred years ago, nations seem to have had the same financial troubles as they appear to be having now; and what is more to the point, the same remedies were suggested. The following is an extract from the proceedings of "A Commission Concerning the Preservation of the Wealth of the Realm" which made its report to Queen Elizabeth of England on May 25, 1601—several years before white settlers had occupied any part of that vast territory which we know today as the United States.

"The commissioners that were appointed to inquire concerning the preservation and augmentation of the wealth of the Realm and to consider of remedies, conclude that there be six causes chiefly of the decline of wealth, viz: the overheaviness of our pound weight troy, being heavier by 5 penny weight than that of other countries; the overrichness of the monies of this realm, and the undervaluation in comparison to other countries; the disproportion of the value of our gold to our silver in respect of other countries adjoining to us; the overbalancing of foreign commodities vented out; the abuse of the exchange between us and other nations; the not making of a number of foreign commodities within this realm having opportunities for so doing.

"As for remedies, some hold that the exchange for all places should be kept at a certainty according to the value of coin and established with due consideration to prevent inconvenience. For redress of the excessive import of foreign commodities, the due execution of the statute of employments for strangers, together with some good laws for restraint thereof, should be put in execution and good examples in forbearing the excessive use of foreign commodities would be a ready means thereto. Lastly some means might be devised to set to work our own people to make some of these foreign commodities whereby not only the over abundant imports will abate, but a great number of people that live either idle or by begging, will be set to work."

—*Leather Goods Monthly Bulletin*

Are creditors' rights being forgotten?

(*Cont. from page* 29) bonds of national institutions are held by millions of good citizens, representing life savings and insurance against old age dependency. Widows, teachers, clerks, laborers, professional men are the capitalists who are being forgotten in the clamor of the hour to "soak-the-rich." The ownership of this capital investment is not hidden away in the vaults of Manhattan Island. Women, all over the United States, represent a large percentage of the share holders in industrial and utility companies. And yet—those in places of highest responsibility in government—wafted away on the high tide of social and governmental experiment—would permit municipalities to "enjoy" the benefits of bankruptcy; would destroy all values by a forced capital reduction; would embarrass our life insurance companies; would wipe out the very income of the thrifty members of society by whom the cost of government must be paid.

When unperformable contracts are made and the day of reckoning is reached, then there is no other way but to adjust each contract on the basis of its own merits.

It is the heighth of folly to advocate that the evil results of the making of unperformable contracts can be equalized by destroying the performable relations that exist in the vast debt structure of our complicated society.

The Boss knows facts, too!

. . . Trying Conferences

over credit on that fat order from a new customer! You've faced 'em!

THE BOSS WILL BACK YOUR JUDGMENT IF YOU HAVE THE FACTS TO PROVE YOUR CASE

Don't expect him to back your judgment if all you have to support it is a rating representing someone else's guess, or a third party's "checking" recommending that you do not ship, or second-hand, hearsay information and rumors.

That kind of evidence is not permissible in court, and it won't be acceptable to the Boss.

Worse still—it will be shown you weren't using your own judgment. You have made yourself just a clerk bringing in a message from someone else. You will have hurt your standing as an executive in your organization.

When you present your case, base it on *FACTS*. The customer's buying and paying habits are the acid test of his credit responsibility, and when there's a difference of opinion, have a Credit Interchange Report handy.

A Credit Interchange Report contains the kind of facts you need—cold, hard, impartial, dependable, up-to-date FACTS. And when *your judgment* is based on *your analysis* of those FACTS, you can prove your case.

Better still—you've proven your judgment and your ability. You are acting as an executive—not as a clerk.

. . Poor information, not poor judgment, causes most credit losses.

Every Credit Interchange Report is a completely new report—No rehashing, re-dating, or adding of a few new facts to many old ones.

CREDIT INTERCHANGE BUREAUS

National Association of Credit Men

N. A. C. M. Credit Interchange Bureaus

Besides the local bureaus listed below, information concerning Domestic Credit Interchange is available through the N. A. C. M. offices at 1 Park Ave., N. Y.; 33 S. Clark St., Chicago, Ill.; 333 Montgomery St., San Francisco, Cal., and the Central Credit Interchange Bureau, P. O. Box 1398, Central Station, St. Louis, Mo. Foreign Credit Interchange Bureau service is available at One Park Avenue, New York, N. Y.

ALABAMA — BIRMINGHAM — Birmingham Credit Men's Assn., 321-25 Lincoln Life Bldg.

ARIZONA—PHOENIX—Arizona Assn. of Credit Men, 314 Title & Trust Bldg.

ARKANSAS—LITTLE ROCK—Little Rock Assn. of Credit Men, 220-21 Gay Bldg.

CALIFORNIA—SAN FRANCISCO—Credit Mgrs. Assn. of Nor. & Cent. Cal., 2nd Floor, Pacific Nat'l Bank Bldg.

COLORADO—DENVER—Rocky Mountain Assn. of Credit Men, 810-14th St. Bldg.

CONNECTICUT—NEW HAVEN—Connecticut Assn. of Credit Men, 23 Temple St.

FLORIDA—TAMPA—Tampa Assn. of Credit Men, 311-14 Stovall Professional Bldg.

GEORGIA—ATLANTA—Atlanta Assn. of Credit Men, 306 Chamber of Commerce Bldg.

ILLINOIS—CHICAGO—Chicago Assn. of Credit Men, 21st Floor, Merchandise Mart

PEORIA—Peoria Assn. of Credit Men, 309 S. Jefferson

INDIANA—EVANSVILLE—Evansville Assn. of Credit Men, 504 Furniture Bldg.

INDIANAPOLIS—Indianapolis Assn. of Credit Men, 901 People's Bank Bldg.

IOWA—DES MOINES—Central Iowa Credit Interchange Bureau, 818 Valley Nat'l Bank Bldg.

SIOUX CITY—Interstate Assn. of Credit Men, 625-31 Badgerow Bldg.

KANSAS—WICHITA—Wichita Assn. of Credit Men, 429 First Nat'l Bank Bldg.

KENTUCKY—LEXINGTON—Lexington Assn. of Credit Men, 505-06 Security Trust Bldg.

LOUISVILLE—Louisville Credit Men's Assn., 301 Speed Bldg.

LOUISIANA—NEW ORLEANS—New Orleans Credit Men's Assn., 1007 Queen & Crescent Bldg.

SHREVEPORT — Shreveport Whol. Credit Men's Assn., 223-24 Ardis Bldg.

MARYLAND — BALTIMORE — Baltimore Assn. of Credit Men, 301 W. Redwood St.

MASSACHUSETTS—BOSTON—New England Credit Men's Int. Bu., Inc., 38 Chauncey St.

MICHIGAN—DETROIT—Detroit Assn. of Credit Men, 1282 First Nat'l Bank Bldg.

FLINT—Flint-Saginaw Valley Assn. of Credit Men, 308 Paterson Bldg.

GRAND RAPIDS—Grand Rapids Credit Men's Assn., 602 Assn. of Commerce Bldg.

KALAMAZOO—Credit Assn. of Southwestern Michigan, 306 Commerce Bldg.

MINNESOTA — DULUTH — Duluth Jobbers Credit Bureau, 501-04 Christie Bldg.

ST. PAUL—Northwestern Jobbers Credit Bureau, 2233 University Ave.

MISSOURI—KANSAS CITY—Kanses City Assn. of Credit Men, 5th Floor, Carbide & Carbon Bldg.

ST. LOUIS—St. Louis Assn. of Credit Men, 800 Commercial Bldg.

MONTANA—BILLINGS—Montana-Wyoming Assn. of Credit Men, 411-12 Stapleton Bldg.

GREAT FALLS—Northern Montana Assn. of Credit Men, 215-17 Ford Bldg.

NEBRASKA — OMAHA — Omaha Assn. of Credit Men, 2nd Floor, Sunderland Bldg.

NEW YORK—BUFFALO—Credit Assn. of Western New York, 546 Gerrans Bldg.

NEW YORK CITY—New York Credit Men's Assn., 468 Fourth Ave.

SYRACUSE—Service Corporation, N.A.C.M., 208 Herald Bldg.

OHIO—CINCINNATI—Service Corporation, N.A.C.M. 720 Temple Bar Bldg.

CLEVELAND—Cleveland Assn. of Credit Men, 410 Leader Bldg.

COLUMBUS—Credit Assn. of Central Ohio, 424 Chamber of Commerce Bldg.

TOLEDO—Toledo Assn. of Credit Men, 622 Madison Ave.

YOUNGSTOWN—Youngstown Assn. of Credit Men, 1110-13 Mahoning Bank Bldg.

OKLAHOMA—OKLAHOMA CITY—Oklahoma Whol. Credit Men's Assn., 901 Cotton Exchange Bldg.

TULSA—Credit Interchange Bureau, 912 Daniels Bldg.

OREGON—PORTLAND—Portland Assn. of Credit Men, 471 Pittock Block

PENNSYLVANIA—PHILADELPHIA—Service Corporation, N.A.C.M., 220 S. 16th St.

PITTSBURGH—Credit Assn. of Western Penna., 6th Floor, Westinghouse Bldg.

TENNESSEE—CHATTANOOGA—Chattanooga Assn. of Credit Men, 1124 Hamilton Nat'l Bank Bldg.

KNOXVILLE—Knoxville Assn. of Credit Men, 504-14 New Sprankle Bldg.

MEMPHIS—Memphis Assn. of Credit Men, 206 Randolph Bldg.

TEXAS—DALLAS—Service Corporation, N.A.C.M., 322 Santa Fe Bldg.

EL PASO—Tri-State Assn. of Credit Men, Caples Bldg.

HOUSTON—Houston Assn. of Credit Men, 433 First Nat'l Bank Bldg.

UTAH—SALT LAKE CITY—Intermountain Assn. of Credit Men, 1411 Walker Bank Bldg.

VIRGINIA—LYNCHBURG—Lynchburg Assn. of Credit Men, 405 Lynch Bldg.

RICHMOND—Richmond Assn. of Credit Men, 305 Travelers Bldg.

WASHINGTON—SEATTLE—Seattle Assn. of Credit Men, 7th Floor, Alaska Bldg.

WEST VIRGINIA—CLARKSBURG—Central W. Va. Credit & Adj. Bureau, 408-410 Union Nat'l Bank Bldg.

HUNTINGTON—Tri-State Credit & Adj. Bureau, 228 First Huntington Nat'l Bank Bldg.

WHEELING—Wheeling Assn. of Credit Men, 913 Hawley Bldg.

WISCONSIN—GREEN BAY—Northern Wisc.-Mich. Assn. of Credit Men, 200 Northern Bldg.

MILWAUKEE—Milwaukee Assn. of Credit Men, 632-46 Milwaukee Gas Light Co. Bldg.

Court decisions

AUTOMOBILE. EXECUTION OF TWO INSTRUMENTS. BILL OF SALE AND "CONDITIONAL SALES CONTRACT." LEGAL EFFECT. (KY.)

When Cartwright purchased an automobile from the Douglas Garage, he was given an absolute bill of sale by which the machine was "transferred free from any mortgage or other encumbrance." On the same day Cartwright executed what is styled "Conditional Sale Contract." He made a cash payment and a car was traded in. He agreed to pay the balance of the purchase price in monthly payments. Among the agreements in this paper are provisions that title should remain vested in the seller until the indebtedness should be fully paid; that the seller might, without notice, demand or legal process, take possession of the machine and sell it; that the proceeds (less the expense of taking, holding, repairing and selling it and a reasonable attorney's fee) should be credited upon the amount unpaid; or that, without a sale, there might be credited on the debt the fair market value of the machine at the time of its re-possession; and in either event, the purchaser agreed to pay the balance due. After Cartwright had paid $927.76, leaving $327.24 unpaid, the seller unlocked the automobile as it was parked on the street and took it into possession. Cartwright has brought suit to recover the machine.

Held that the seller effectually divested itself of title to the automobile, and notwithstanding the provision as to the title in the other instrument in which the purchaser obligated himself to pay the balance due, the transaction constituted a sale and the effect of that stipulation was only to create a lien on the property to secure the debt. It is provided in the Uniform Sales Act (Section 2651b-75, Statutes) that: "The provisions of this act relating to contracts to sell and to sales do not apply, unless so stated, to any transaction in the form of a contract to sell or a sale which is intended to operate by way of mortgage, pledge, charge, or other security." In the instant case, before the seller and mortgagee had a reasonable time in which to dispose of the automobile, the purchaser and mortgagor obtained its possession by an order of delivery and the adjustment of the rights of the parties went into court. The case should have been tried and disposed of according to the procedure prescribed by the Civil Code of Practice for the enforcement of liens and the application of the proceeds of a judicial sale. (Section 695, et seq., Civil Code of Practice.) The court should ascertain the balance legally due under the contract, render judgment for that sum and order a sale of the machine to satisfy the lien securing its payment. Judgment for defendant (seller) reversed and case remanded. *Cartwright v. C. I. T. Corporation.* Ky. Ct. of Appeals. Decided February 20, 1934.

AUTOMOBILE TRUST RECEIPTS. LEGAL EFFECT. SEIZURE OF CARS BY FINANCE COMPANY. ACCOUNTING. (N. J.)

Complainant, receiver for the defunct East Orange Auburn Company, Inc., seeks an accounting from the General Contract Purchase Corporation, a finance company, of the proceeds of the sale of two automobiles, assets of the defunct company, seized by the finance company after the defunct company became insolvent. The circumstances under which the trust receipts were given are these: East Orange Auburn Company, dealer in automobiles, telephoned the Lawrence Motor Car Company, vendor, an order for a car, informing the vendor that it would pay fifteen per cent. of the price, the balance, eighty-five per cent., to be financed. Upon the finance company agreeing with the vendor to make the loan, the vendor prepared the trust receipt and a ninety-day acceptance for the eighty-five per cent., and upon their execution by the buyer, and the payment of fifteen per cent., made out an invoice to the buyer for the price of the car, giving credit for the fifteen per cent. and showing the balance to be furnished by the finance company. The trust receipt, acceptance and invoice were then sent by the vendor to the finance company, which forwarded its check to the vendor and upon its receipt the car and a copy of the invoice were delivered by the vendor to the buyer. The transactions were not as the trust receipts represent; title was never in the finance company. The cars were sold to the defunct company and title passed to it.

Held that the instruments are not available as trust receipts, even if the court applied the principles upon which they are upheld in other jurisdictions, and for this reason: title to the cars did not pass to the finance company. The equitable concept of the trust receipts under consideration is that of declaration of trust, that the defunct company held its own property in trust for the finance company as security for the debt; a valid trust and enforcible in equity between the parties. The legal effect is that of a chattel mortgage, void as to creditors for failure of verification and recording. That is the settled law of this state. In Smith v. Commercial Credit Corp., 113 N. J. Eq. 12, the court leaves nothing unsaid in condemning automobile trust receipts as chattel mortgages, and invalid for want of registration. The receiver, who represents the creditors and may attack the validity of the trust receipts, had a remedy in trover, but Pryor, Receiver, v. Gray, 70 N. J. Eq. 413, is authority for the bill for an accounting. The trust receipts fail as conditional sales. There was no sale. The finance company had no title. The two cars were sold by the finance company for $2,900. A decree for that sum will be entered. *Vonhof v. General Contract Purchase Corp. et al.* N. J. Chancery Ct. Decided January 31, 1934.

CONDITIONAL SALES CONTRACT. REPOSSESSION OF GOODS BY VENDOR WITHOUT LEGAL PROCESS. SALE AS REQUIRED BY LAW. RIGHTS OF VENDEE. (TENN.)

Plaintiff purchased furniture by conditional sales contract from defendant, totaling $468.50. He made payments of $260.15 and then defaulted. Defendant re-possessed the furniture without any replevin warrant, or without any notice or the consent of plaintiff. Notices were posted and the furniture was sold as required by law, for $100. There was a balance of $208.35 due on the furniture. Plaintiff has brought this action to recover the amount of the payments made by him to defendant. Section 7291 of the Code provides that if the seller or assignee, having regained possession of the property, fails to advertise and sell the same as provided by this article, the original purchaser may recover from the seller or assignee that part of the consideration paid to him.

Held that section 7291 of the Code was not intended to provide a penalty for the unlawful re-taking by the conditional vendor of goods sold under a contract retaining title, but to provide a penalty for the unlawful retention or disposition of the property by the conditional vendor, after possession was regained. (Murray v. Motor Truck Sales Corporation, 160 Tenn. 140.) The conditional vendor who re-takes such property without consent of the conditional vendee, or without process of law, is liable for conversion. The bare conversion, however, does not render him liable to the penalty imposed by section 7291 for failure to advertise and sell the property as provided by the statute. Since the value of the furniture here involved was less than the amount owing therefor, the trial judge properly dismissed this suit. Judgment affirmed. *Rice v. Lusky Furniture Company.* Tenn. Supreme Ct. Decided February 24, 1934.

SALE OF LUMBER. REJECTION BY PURCHASER. SUBSEQUENT CONDUCT. WHETHER AN ACCEPTANCE. (MICH.)

Defendant, engaged in business at Saginaw, sent to plaintiff at Shawano, Wisconsin, a written order for certain dimension lumber, to be shipped to it at Hooksett, New Hampshire, which was accepted in writing by plaintiff. On arrival of the lumber and while still loaded, it was examined by the customer to whom defendant was selling it and defendant immediately (October 22) notified plaintiff that it did not comply with the order given. Plaintiff replied that the stock was furnished "as per order . . . Cannot tolerate complaint." Before receiving this message, defendant had written plaintiff, confirming its notice of rejection and advising it that it had given instructions to unload the lumber. Much correspondence followed. Plaintiff then brought this action to recover the contract price. The question is whether defendant by its conduct as a matter of law accepted the lumber involved in the contract between the parties. Defendant sought to avoid litigation threatened by plaintiff, but at no time did it recede from its action in rejecting the shipment for the reason stated in its message of October 22d and letter confirming the same. In none of the letters that passed between the parties, did plaintiff make any claim that defendant by its acts and conduct had accepted the shipment. The sole question in dispute was whether the lumber shipped complied with the terms of the order. Both parties seem to concede that the Michigan Uniform Sales Act (2 Comp. Laws 1929, Sec. 9440, et seq.) is controlling on the question of acceptance.

Held that the unloading and storage of the lumber was not in itself an acceptance. In its telegram to plaintiff on October 22d defendant rejected the lumber, and asked plaintiff, "What shall we do with it?" Plaintiff shipped the lumber to defendant at Hooksett, but, as plaintiff knew, for delivery to a customer of defendant. Hooksett was so far distant that neither plaintiff nor defendant could, within a reasonable time, investigate the complaint made that it was unfit for the purpose for which it had been ordered. Defendant was doubtless hopeful that some adjustment might be had; and, to prevent the accumulation of demurrage charges, it ordered the lumber to be unloaded and stored, and so informed plaintiff. It was anxious to avoid litigation, and to that end made some

effort to find a purchaser for the lumber. In the court's opinion, the most favorable view for plaintiff which can be taken of these acts of defendant is that a question of fact was presented for the jury to pass upon and it found for defendant. Judgment affirmed. *Rusk Manufacturing Co. v. John D. Mershon Lumber Co.* Mich. Supreme Ct. Decided March 6, 1934.

AMBIGUOUS CONTRACT. ADMISSION OF PAROL EVIDENCE. BREACH OF WARRANTY. (GA.)

Held that where a contract for the purchase and sale of a specified quantity of flour, described and identified only by the trade-name of brand of "Snoflour," was entered upon in writing, such a contract is so ambiguous that in a suit thereon the vendee will be permitted to show that according to the understanding between the parties, not expressed in the writing, the term "Snoflour" contemplated a grade of flour equal in all respects to another brand of flour known as the "Elberta" brand, with which the vendee was familiar. "Parol evidence is admissible to indentify the subject-matter of a written contract, where the same is ambiguous, notwithstanding that the contract recites that it contains all the agreements that are to be binding upon the parties." In a suit by the vendor on such written contract the vendee will be permitted to show, for the purpose of engrafting and express warranty upon the written contract, that he was not familiar with the "Snoflour" brand of flour, but was familiar with the "Elberta" brand, which he had been handling in his wholesale grocery business, that he so informed the agent of the seller procuring the contract, and that such agent represented to him that "Snoflour" was in all respects the equal of the "Elberta" brand of flour. On account of indefiniteness, the writing showed on its face that it did not purport to speak the entire contract, and where it appears that the part omitted, and necessary to complete a definite contract related to quality of the goods forming the subject matter of sale it was competent in a suit on the contract by the vendor by the defendant to "show that he was not familiar with the 'Snoflour' brand, etc." The effect of such proof would not be to engraft and express warranty upon "a valid written contract" but to prove essential terms of the contract actually made which had been omitted from the paper which showed on its face that it did not speak the entire contract. Proof on behalf of the defendant that flour actually delivered to him under the written contract was inferior in quality to the "Elberta" brand of flour will establish a breach by the vendor of such warranty, even in the absence of proof that the flour delivered did not measure up in quality to the standard of the "Snoflour" brand under which it was sold and delivered. The quality of the "Elberta" brand which was known to the parties was made the quality of the flour contracted to be sold, and proof that the flour delivered was inferior to that brand would show breach of the warranty. *Walnut Creek Milling Co. v. Smith Brothers Co.* Ga. Supreme Ct. Decided February 14, 1934.

MILK CONTROL BOARD. ORDERS FIXING PRICE. ALLEGED VIOLATION OF 14TH AMENDMENT TO FEDERAL CONSTITUTION. INJUNCTION. JURISDICTION. (N. Y.)

Upon return to an order to show cause why an injunction pendente lite should not issue. Upon motion by the defendant to dismiss the bill.

Held that the decision of the U. S. Supreme Court in Nebbia v. The People of the State of New York, decided on March 5, 1934, declaring constitutional the "Milk Control Law" of New York (Chapter 158 of the Laws of 1933), has answered the first cause of suit alleged in this bill of complaint. The court there held that the regulation of the price of milk by the "Milk Control Board" was lawful, and that its orders could be enforced. The second cause of suit remains which is that the Board has in administering this law deprived the plaintiff of its property without due process of law, because its license will be revoked unless it repays to those who sold it milk the difference between the price fixed by the Board and lower prices at which it bought. The Board had fixed minimum prices not only for the purchase of milk, but for the plaintiff's sales to its customers, shops and restaurants in New York; and it alleges that, though in form only a minimum, this selling price was in effect a maximum price, due to the keenness of the competition between wholesalers. The result has been that the "spread" between what the plaintiff must pay and what it can get, is so small that it can earn nothing upon its very substantial capital invested in the business. This takes away its property under the Fourteenth Amendment. The prayer of the bill is to enjoin the execution of two orders of the Board; one, dated December 29, 1933, which revoked its license under Sec. 308 (3), and which was to become effective January 31, 1934; the other, dated December 30, 1933, which suspended this revocation provided that before January 31, 1934, the plaintiff paid to those of whom it bought milk the difference above mentioned. Since proceedings by certiorari in the Supreme Court of New York are wholly judicial Code, has jurisdiction over the suit, regardless of the completeness of that proceeding as a remedy. There is moreover ground for equitable intervention, because the money which the plaintiff is required to pay will be distributed

among numerous milk farmers from whom recovery will probably be impossible, and certainly impracticable at any cost which would justify the effort. The court is therefore obliged to decide the merits of the second cause of suit. Although during the period in question, there had been a minimum selling price, plaintiff cannot complain of that. If it wished to sell at a higher price, it always could, so far as any order of the Board went. If in practice the price could be pushed no higher than the minimum, the order was not responsible for that; it was the competition in the trade which kept down the price. It is dangerous to deal in universals, especially in constitutional law, and it might be too much to say that no minimum price could be too high, even though it ruined the whole of other industries, and was quite unnecessary to the protection of that for which it was fixed. The bill lays no such case; it merely alleges that plaintiff cannot make any money by selling milk bought at the minimum fixed by the Board. Just as it is exposed to the rubs of competition in what it buys on an uncontrolled market, and must make such fetch to adjust as it can, so it must accommodate its dealings to a price fixed in the plenitude of municipal power. That power once granted, its transmitted disturbances the Fourteenth Amendment does not neutralize. Order to show cause discharged. Bill dismissed. *Hegeman Farms Corporation v. Baldwin et al.* U. S. Dist. Ct., South Dist. of N. Y. Decided March 16, 1934.

Here Comes the Bride

"How did the wedding come off?"

"Fine until the minister asked the bride if she would obey her husband."

"What happened then?"

"She replied, 'Do you think I'm crazy?' and the groom, who was in a sort of daze, replied, 'I do.'"

Socking Good Fellow

Rufus: "What sort of a fellow is Bosco?"

Goofus: "He's one of those people who will pat your back before your face and hit you in the face behind your back."